

The complaint

Mr K complains that Revolut Ltd ('Revolut') won't refund the money he lost after falling victim to a scam.

What happened

In August 2023, Mr K joined a dating app and met an individual I'll refer to as L. After a few days of communicating, including numerous video calls, L told Mr K that she was an experienced investor of two years and could teach him how to make money through cryptocurrency trading.

Mr K was told to open accounts with three different cryptocurrency platforms, an account with Revolut and a trading account with a company I'll refer to as P. L said she'd help Mr K make money through cryptocurrency trading on P's platform. Unfortunately, this was a scam.

Mr K says he was taken through Know Your Customer (KYC) checks by the companies he opened accounts with, which reassured him they were genuine. When he opened his account on P's platform, Mr K could see live trading information and says the platform looked legitimate.

The first payment Mr K made was for £500 and was made from an account he held with another bank – I'll refer to as bank D. Mr K purchased cryptocurrency, which was paid into a wallet in his name, then transferred to P's platform. Mr K says the funds showed up in his trading account with P.

Mr K watched his trading account balance increase and continued to have regular video calls with L. L persuaded Mr K to invest further funds, saying he would move to a VIP account, which would mean he could make higher trades.

Mr K made approximately 10 payments from his account with bank D between 1 September 2023 and 15 September 2023. Bank D intervened twice on payments Mr K was trying to make, these interventions were on 16 September 2023 and 23 September 2023. Bank D talked to Mr K on both dates and asked him questions about the purpose of the payments he was making.

Mr K changed from making payments from his account with bank D, to making accounts from his Revolut account. These payments are set out in the table below.

Date	Pmt no	Details of transaction	Amount
16.9.2023		Revolut Account opened	
17.9.2023	1	Payment to C – cryptocurrency platform	£2,500.00
23.9.2023	2	Payment to C – cryptocurrency platform	£3,500.00
28.9.2023	3	Payment to C – cryptocurrency platform	£4,200.00
3.10.2023	4	Payment to G – cryptocurrency platform	£10,000.00
5.10.2023	5	Payment to G – cryptocurrency platform	£2,000.00
6.10.2023	6	Payment to G – cryptocurrency platform	£2,000.00
15.10.2023	7	Payment to D – an individual	£500.00

15.10.2023	8	Payment to I - an individual	£3,609.54
16.10.2023	9	Payment to O – an individual	£600.00
16.10.2023	10	Payment to L – an individual	£618.00
16.10.2023	11	Payment to C – an individual	£282.00
17.10.2023	12	Payment to C2 - cryptocurrency platform	£600.00
18.10.2023	13	Payment to H – an individual	£6,696.16
19.10.2023	14	Payment to I2 – an individual	£93.93
20.10.2023	15	Payment to I2 – an individual	£799.92
21.10.2023	16	Payment to I2 – an individual	£899.91
22.10.2023	17	Payment to N – an individual	£450.12
26.10.2023	18	Payment to N – an individual	£1,994.85
28.10.2023	19	Payment to M – an individual	£909.00
28.10.2023	20	Payment to R – an individual	£514.58
28.10.2023	21	Payment to R – an individual	£1,208.40

Revolut intervened on the first four payments Mr K made. On each of these occasions they referred Mr K to their in-app chat and asked Mr K questions about the payments he was making.

Mr K became aware he was the victim of a scam when he attempted to withdraw funds from his account with P. Mr K was told he had to pay £4,000 to release the funds, but Mr K refused to make the payment. L told Mr K she had paid £2,000, so he only had to pay the other £2,000. But Mr K refused to make the payment and his communication with L stopped. Mr K was unable to withdraw any funds from his account with P. Mr K says that L later contacted him and admitted that it was a scam and she'd been forced to be part of it.

Mr K reported the scam to Revolut in November 2023. Revolut investigated Mr K's fraud claim but declined to refund him. Revolut say they intervened on payments that their system identified as suspicious and provided warnings to Mr K.

Mr K wasn't happy with Revolut's response, so he brought a complaint to our service through a professional representative.

Mr K also raised a fraud claim with bank D, and not happy with their response, brought a separate complaint to our service.

An investigator looked into Mr K's complaint about Revolut, but didn't recommend that Revolut refund Mr K. The investigator thought Revolut should've provided better tailored warnings when it intervened on Mr K's payments. But, the investigator didn't think this would've prevented Mr K's loss, based on the intervention from bank D.

Mr K didn't agree with the investigator's opinion and asked for an ombudsman to review his case.

Mr K raised the following points:

- Bank D's intervention doesn't negate Revolut's duty to protect Mr K and prevent fraudulent activity.
- As Mr K's account was newly opened, Revolut should've been concerned by the payments.
- Revolut's response to identifying suspicious payments wasn't acceptable or effective.
- Revolut should've called Mr K and talked to him about the payments, not used in-app chat. Also, Revolut could've sent the police to Mr K's house based on their concerns. Either of these actions would've uncovered the scam and prevented Mr K's loss.
- Revolut didn't pick up on the conflicting information Mr K gave in relation to the payment reasons and didn't ask open questions.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In deciding what's fair and reasonable, I am required to take into account relevant law and regulations, regulators' rules, guidance and standards, and codes of practice; and, where appropriate, I must also take into account what I consider to have been good industry practice at the time.

In broad terms, the starting position at law is that an Electronic Money Institution ("EMI") such as Revolut is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

However, Revolut should have been on the look-out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer. And, in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment – as in practice Revolut sometimes does.

Did Revolut intervene appropriately?

As this was a new account, Revolut didn't have previous account activity to compare Mr K's payments to. Just because it was a new account, doesn't mean that I would expect Revolut to intervene immediately on any payments Mr K made. I say this as Revolut has to balance identifying potentially concerning payments and taking appropriate action, while ensuring minimal disruption to legitimate payments.

I would've expected Revolut to intervene when Mr K made his second and fourth payments. I say this based on the size of those two payments and the fact that both payments were made to identifiable cryptocurrency providers. I wouldn't have expected Revolut to intervene on any of the other payments, as the later payments to individuals weren't identifiable as being related to cryptocurrency purchases, also the payments were spread out and the payment pattern changed with a mix of larger and smaller payments.

But, in this case, Revolut intervened on all of the first four payments, having identified them as suspicious.

For the first payment, I think it would've been appropriate for Revolut to provide Mr K with an on-screen tailored written warning relevant to cryptocurrency scams which should've included some common features of these types of scams. However, Revolut took intervention one step further by referring Mr K to their in-app chat. Which they did for all of the payments they identified as suspicious.

Having reviewed the in-app chat Revolut had with Mr K on each of the four payments, I'm not satisfied that Revolut asked enough open questions. Also, Revolut didn't take into account information that Mr K had provided in previous chats, which would've highlighted to them that Mr K was providing conflicting information about the purpose of the payments – despite some of them going to the same beneficiary.

So, I don't think Revolut's intervention was good enough. But, I also need to consider whether better intervention would've prevented Mr K's loss.

Would better intervention have prevented Mr K's loss?

In this case, I'm not satisfied that better intervention by Revolut would've prevented Mr K's loss. I'll explain why.

As part of the first call bank D had with Mr K on 16 September 2023, they started by telling Mr K that it was important to be honest in answering their questions as it would make it easier for them to protect him. They also said *"scammers may reach out to you and tell you to lie or mislead the bank and the reason you are sending the money."* Bank D then asked Mr K if anyone had asked him to lie to them, and he said no. This wasn't true as Mr K told us that he was coached by L on what to say to the bank, and to lie to the bank about the real reason for the payments.

Mr K told bank D that the first transfer was a loan for a friend. When bank D asked what the friend needed the money for, Mr K told them it was for rent. Bank D asked why Mr K was paying the money to a cryptocurrency platform if it was for rent, Mr K told them it was because the value of the money could increase if the value of the "coins" (the cryptocurrency he was buying) increased. He explained that the money would be moved from his cryptocurrency wallet to his friend's account. Mr K was asked how much his friend's rent was, why his friend needed to borrow the money, whether he expected the money to be repaid, when the money would be repaid, and how his friend would be able to repay it.

Mr K answered all of these questions consistently sticking to his position that he was sending money to his friend, despite bank D asking a number of follow up questions and probing some answers that they had concerns about.

Bank D also queried the amount of the payment, which was £2,500, saying they were concerned that it seemed a large amount for a rent payment. Mr K explained that it was for rent and a few other items to help his friend out.

In response to answers Mr K had given them, bank D said *"my concern is, if you're paying your friend's rent, it's a large sum of money and it's not going to him directly it's going via cryptocurrency – it sounds like you're being scammed to send this money"*. In response Mr K told bank D he wasn't being scammed and he'd done this before.

Bank D intervened again on 23 September when Mr K attempted to make further payments. As part of their conversation with Mr K, bank D said *"criminals can be convincing, asking*

customers to mislead their bank to avoid detection. So, if anyone has asked you to lie, it would be a scam". They then asked Mr K if something like that had happened to him, and he said no.

It's clear from having listened to the conversations that Mr K didn't honestly answer bank D's questions. Also, when they had concerns about the answers he was giving and probed further asking open questions, Mr K stayed committed to the story he was giving as to why he was making the payments. Mr K also ignored the warnings that bank D gave him, which should've resonated with him as they were relevant to the scam circumstances that he was experiencing. Especially as they asked him twice if he'd been asked to lie and indicated that if he had, it was likely he was the victim of a scam.

So, while I think Revolut's intervention should've been better, I'm not satisfied that I can fairly conclude that better intervention would've prevented Mr K from making the payments or prevented his loss. As better intervention by bank D didn't prevent Mr K from making further payments, he just changed to using his Revolut account instead.

Mr K says Revolut's responsibility to identify payments that may cause financial harm, and then intervene appropriately, isn't negated by bank D's intervention. I agree that the intervention by bank D doesn't remove the expectations on Revolut to protect Mr K from potential financial harm. But what bank D's intervention provides is an indication of what I think is more likely than not to have happened if Revolut *had* intervened in the way I think they should've.

Based on the conversations Mr K had with bank D, I'm not convinced that he would've been honest if Revolut had asked more open and probing questions. Or that I can fairly conclude Revolut could've uncovered the scam based on the information I think Mr K would have given them in response to those questions.

Also, I don't think it would've been appropriate for Revolut to have contacted the police and asked them to visit Mr K to discuss his payments. As I don't think that it's likely Revolut would've been concerned by the information Mr K was giving them even if they had asked more questions, based on the answers I think it's most likely Mr K would've given.

Mr K feels Revolut should've called him to discuss the payments, however I'm satisfied that Revolut acted reasonably in using their in-app chat to ask Mr K more questions about his payments. It's also worth noting that bank D called Mr K on two separate occasions, however he proceeded with making payments regardless.

Recovery of funds

In this case, Revolut contacted the beneficiary banks to try and recover the funds Mr K paid to the individual payees. However, the beneficiary banks didn't respond to Revolut's recovery attempts.

Where Mr K made payments to purchase cryptocurrency, no funds would've been recoverable as the cryptocurrency purchased was paid to a wallet in Mr K's name, before he moved the funds over to his account with P. Any funds remaining in Mr K's cryptocurrency wallets, could've been recovered by Mr K. And, Mr K wouldn't be entitled to have money returned that he used for genuine cryptocurrency purchases, as the sellers of the cryptocurrency weren't part of the scam.

So, I'm satisfied that Revolut has taken the appropriate steps to try and recover Mr K's funds.

I'm really sorry to disappoint Mr K, as he's lost a significant amount of money as a result of this scam. But I'm not satisfied that I can fairly hold Revolut liable for his loss or ask them to refund him.

My final decision

My final decision is that I don't uphold this complaint against Revolut Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 21 November 2024.

Lisa Lowe
Ombudsman