

The complaint

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

What happened

In December 2022, Mr D was interested in investing, so he researched options online. Mr D found a website for a company I'll refer to as S. S's website suggested they operated internationally and had won "broker of the year". Mr D says he found positive reviews online for S, so he registered his interest on their website.

Mr D was called by someone, who I'll refer to as K. K said they worked for S and explained that S used an AI algorithm for online trading. Mr S says K was very knowledgeable, personable and used terminology related to online trading. Mr D was directed to a trading platform which had the same layout and theme as S's website and Mr D could see live trading prices. Mr D was told to open an account with S on its trading platform, an account with Revolut, as well as accounts with two separate cryptocurrency exchanges (B and P). Mr D says he researched the two cryptocurrency exchanges and found that they were genuine companies.

Mr D initially made a small payment and says the funds showed up in his trading account with S. Mr D watched his balance grow from the trades that were made, and after a few days he decided to invest further.

These are the payments Mr D made from his Revolut account. I've also included the credits that Mr D was able to withdraw from his trading account with S.

Date	Pmt no	Details of transaction	Amount
2.1.2023		Mr D opened Revolut account	
3.1.2023	1	Card payment to cryptocurrency exchange B	£25.00
9.1.2023	2	Card payment to cryptocurrency exchange B	£5,000.00
9.1.2023		<i>Card payment to cryptocurrency exchange B – declined</i>	<i>£5,000.00</i>
25.1.2023		<i>Withdrawal from investment</i>	<i>£396.94 cr</i>
14.4.2021	3	Card payment to cryptocurrency exchange B	£5,000.00
14.4.2023	4	Card payment to cryptocurrency exchange B	£5,000.00
14.4.2023	5	Card payment to cryptocurrency exchange B	£5,000.00
14.4.2023	6	Card payment to cryptocurrency exchange B	£5,000.00
17.4.2023	7	Card payment to cryptocurrency exchange B	£6,000.00
25.4.2023		<i>Withdrawal from investment</i>	<i>£1,005.12 cr</i>
2.5.2023	8	Card payment to cryptocurrency exchange B	£5,000.00
3.5.2023	9	Card payment to cryptocurrency exchange B	£1,000.00
25.5.2023	10	Faster payment to cryptocurrency exchange P	£3.00
14.8.2023	11	Faster payment to cryptocurrency exchange P	£4,995.00

Revolut intervened after Mr D made payment two, as he attempted to make another payment of £5,000. Revolut directed Mr D to their in-app chat as part of that intervention and asked Mr D a series of questions, before providing a warning about safe account scams. As part of their questions, Revolut identified that Mr D was making the payment in relation to an investment and advised Mr D not to proceed with the payment. Mr D didn't make any further payments for three months.

Revolut didn't intervene with any of the payments that Mr D made, after payment two.

Mr D says that he noticed the trading on his account with S changed from cryptocurrency trades to gold trades. At which point, Mr D's account balance with S started decreasing, until eventually he had a negative account balance.

K said some of the funds Mr D lost could be recovered if he made a further payment. But Mr D couldn't afford to make any further payments. Mr D says at this point his contact at S became threatening and demanded money, and Mr D realised he'd been the victim of a scam.

Mr D initially raised a fraud claim with Revolut in August 2023, but he didn't provide details of which specific transactions he'd made as part of the scam. So Revolut were unable to raise a fraud claim or chargeback claims.

Mr D then contacted Revolut in September, with the help of a professional representative.

Revolut declined to refund Mr D for his loss saying:

- They couldn't raise a chargeback for the card payments, as it was outside the time limits for doing so.
- No funds were recovered from the beneficiary bank in relation to the last two payments.
- Revolut had an obligation to process Mr D's payment instructions.
- Mr D was shown a warning when he set up the new payees.

Mr D wasn't happy with Revolut's response, so he brought a complaint to our service.

An investigator looked into Mr D's complaint but didn't recommend that Revolut refund him. The investigator felt Revolut had intervened appropriately after Mr D made the second payment. But they thought Revolut should've also intervened in April when Mr D made four payments in quick succession. However, the investigator didn't consider that further intervention by Revolut would've prevented Mr D from making the payments. The investigator explained that Revolut had done what was expected in trying to recover Mr D's money on the last two payments and that even if chargeback had been raised on the card payments, it was unlikely to be successful.

Mr D disagreed with the investigator's opinion, and raised the following points:

- Revolut didn't provide relevant scam advice.
- Revolut should've been firmer in their questioning when they intervened and should have called him rather than using their in-app chat.
- If Revolut had discussed why he shouldn't invest in a call, it would've brought him to his senses, and prevented his loss.

As the case couldn't be resolved informally it was passed to me to review.

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 on the first two payments Mr D made?

Mr D had opened his Revolut account only a day before making his first payment. So there was no previous account activity to compare the first two transactions to, in order to decide if they were unusual or out of character. However, the second payment was for £5,000 and was identifiably going to a well-known cryptocurrency exchange.

From 1 January 2023, I'd expect Revolut to recognise that cryptocurrency related transactions carried an elevated risk of the likelihood of the transaction being related to a fraud or scam. So, I would've expected Revolut to intervene when Mr D made his first payment of £5,000.

As this was a new account and only the second payment that Mr D was making, I think appropriate intervention would've been to provide an on-screen tailored written warning relevant to cryptocurrency investment scams, that set out the key features of this type of scam.

However, I'm not satisfied that I can safely conclude that this would've prevented Mr D from making the second payment. I say this because:

- Mr D had done several checks and was satisfied that the cryptocurrency exchange B, which he was making the payment to, was genuine.
- Mr D had seen S's website which looked legitimate, and he hadn't found any negative reviews when researching S online.
- One of the main features of cryptocurrency investment scams is a consumer being contacted out of the blue and offered investment advice, which didn't happen here. Mr D had found S while doing his own research on possible investment options.
- I also haven't seen anything that suggests Mr D was offered unrealistic returns – which is another common feature of a cryptocurrency investment scam.

I think all of the information available to Mr D at the time of making the second payment, would've suggested that S was genuine.

So, I think it's unlikely, when presented with a written warning about cryptocurrency investment scams, that it would've prevented Mr D from making payment two. Also, I don't think it would be proportionate at that point to expect Revolut to refer Mr D to their in-app chat.

Did Revolut intervene appropriately when Mr D attempted to make a second payment of £5,000 on 9 January?

When Mr D attempted to make a second payment of £5,000, I think it was appropriate for Revolut to refer Mr D to their in-app chat to ask questions about his payments – which they did.

While Revolut didn't give Mr D a cryptocurrency investment scam warning, they asked sufficient questions to identify that Mr D was making the payment in relation to an investment.

Revolut had sufficient concerns that they advised Mr D not to make the payment. As a result of what Revolut said, Mr D didn't proceed with making a third payment – at that time.

Should Revolut have intervened again with the payments made from April 2023 onwards?

There was a three month gap, between Mr D making payment two in January 2023, and making his third payment in April 2023. On 14 April 2023, Mr D made four card payments in quick succession. Based on the number of payments made, the value of the payments individually and in total, I think Revolut should've intervened again.

Based on their previous interaction with Mr D, I think they should've referred him back to their in-app chat to ask him questions about the payments he was making.

However, I'm not satisfied I can safely conclude that Revolut intervening at this point would've made a difference and I'll explain why.

In January 2023, a few weeks after making his second payment, Mr D was having concerns about further investment with S. He told K *"after careful consideration I am not wanting to invest my pension in this way. I have stressed myself out over the last few weeks due to the pace this seems to be going out"*.

Then in April 2023, the day before he made payment three, Mr D told K that his partner had threatened to end their relationship if he withdrew funds from his pension to invest with S. He also referred to there being family arguments. Clearly Mr D had discussed his investment with S with his partner and, while I can't know what exactly was discussed, they'd advised Mr D against investing further – or at least from withdrawing funds from his pension to invest. In response, K reassured Mr D that the AI algorithm they use meant there was no risk in trading.

Once Mr D confirmed that he would be investing further, K told Mr D that if Revolut asked him any questions about the payment he was going to make, that he should tell them that no one is guiding him and he's not sharing his screen with anyone.

It's also clear in the messages with K, although the specific date isn't clear, that Mr D had been advised against investing by a financial advisor. Mr D said to K *"just to let you know my financial advisor didn't sanction it, so I had to go above her"*. And I can see that in May 2023,

Mr D must've been aware of the FCA published warning as he said to K "*Binance has been banned by the FCA. Does that create further issues for UK customers in the future?*".

So, if Revolut had intervened as I would've expected in April 2023, I'm not satisfied that Mr D would've listened to any warning they gave him based on him dismissing advice given by his partner and a financial advisor – both of whom I would expect Mr D to trust. I also have to take into account that Mr D had been told to lie to Revolut if asked any questions. I appreciate that a number of these concerns came to light after the April 2024 payments, however I think this helps to build a picture of what is more likely than not to have happened in April 2023 if Revolut had provided Mr D with an appropriate warning.

Mr D suggests that Revolut should've called him to discuss the payments over the phone. However, Revolut is an EMI and operates differently to a high street bank which may have a call centre. By referring Mr D to their in-app chat, Revolut was using human intervention, which is what I would've expected in this situation. And, for the reasons already given, I'm not convinced that an appropriate warning by Revolut would've prevented Mr D's loss when he ignored advice from his family and a financial advisor and had been told not to tell the truth.

Overall, I'm not satisfied that I can safely conclude that any further intervention by Revolut would've prevented Mr D from making payments to S. So, I can't fairly say that Revolut could've prevented Mr D's loss.

Chargeback

Mr D's card payments were used to purchase cryptocurrency from a cryptocurrency exchange. So, even if Revolut had raised a chargeback claim within the set time limits – it was unlikely to be successful. I say this because the merchant (B – the cryptocurrency exchange) provided the service Mr D paid for – purchasing cryptocurrency. Chargeback doesn't look at the ultimate end destination of the funds, only whether the merchant who was paid has provided the service paid for.

Recovery of funds

From what I've seen Revolut took the appropriate steps to try and recover Mr D's money from P, however no funds remained. It appears that Mr D held the account with P and used it to purchase cryptocurrency. So, if any funds had remained in Mr D's account with P, he would've been able to recover it himself.

I'm really sorry that Mr D has lost this money as the result of a scam, and to hear about the difficulties this has caused him financially. I understand that his wellbeing has been seriously impacted as a result of what happened.

But, having carefully considered all of the evidence, 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 case against Revolut Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 18 November 2024.

Lisa Lowe

Ombudsman