

The complaint

Mr C complains that Revolut Ltd did not refund a series of payments he lost to a scam.

What happened

Mr C found an investment opportunity online with a company I'll call 'X'. The website appeared professional and Mr C found a number of positive reviews and some articles about X that made it appear legitimate. He signed up and opened a Revolut account to facilitate the payments. He made the following card payments to an established cryptocurrency exchange:

- 21/03/2023 - £750
- 21/03/2023 - £2,000
- 21/03/2023 - £1,000
- 21/03/2023 - £250

Mr C says he made a further payment towards the scam after he was convinced to by X. This was a faster payment to a company I'll call 'C' on 25 April 2023 for £8,977. When Mr C tried to withdraw his returns, he was told he would need to pay £5,000 as a guarantee. It was at that point he realised he had been the victim of an elaborate investment scam.

Mr C raised a scam claim with Revolut who explained they did not have any grounds to raise a chargeback claim for the card payments, and they tried to recover the faster payment but did not receive a response from the beneficiary bank. And they did not think they had made an error when they processed the payments.

Mr C referred the complaint to our service. Our Investigator did not agree that the initial payments to cryptocurrency were unusual enough to warrant an intervention from Revolut. As they were not of a particularly high value and it was a new account with no genuine account history to compare the scam payments to. The later faster payment to C appeared to be to an electrical installation company and this was stopped by Revolut for some questions. However, as Mr C said it was for 'goods and services' and did not disclose it was for an investment, the Investigator did not think Revolut could provide a relevant warning in the circumstances.

Mr C's representative disagreed with the findings. They felt the first four payments happened in quick succession to a company banned in the United Kingdom ("UK") so felt Revolut had missed an opportunity to reveal the scam. And they felt Revolut should have known the final payment was being used to purchase cryptocurrency, considering the earlier payments. As an informal agreement could not be reached, the complaint has been passed to me for a final decision.

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.

Based on what I've seen, I think Mr C has been the victim of a sophisticated investment scam, and I'm sorry he's gone through this experience. As this complaint is against Revolut, and not X, I can only consider Revolut's actions and recommend they take steps to remedy the complaint if I think they were at fault.

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.

But, taking into account relevant law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider it fair and reasonable in March 2023 that Revolut should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;
- have had systems in place to 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;
- 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 including in relation to card payments);
- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving (including for example the common use of multi-stage fraud by scammers, including the use of payments to cryptocurrency accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.

I've reviewed Mr C's account statements to see if I think Revolut should reasonably have intervened in the payments prior to them being processed. In doing so, I've kept in mind this was a new account, with no previous genuine account activity that Revolut could compare the scam payments to.

The initial four payments all went to a well-known cryptocurrency exchange. I note Mr C's representative has stated this company is banned in the UK, however this is not accurate. They are no longer able to carry out regulated activities in the UK, however exchanging in cryptocurrency is not a regulated activity, so they are able to provide these services in the UK. I therefore do not think Revolut was required to stop any payments going towards the cryptocurrency exchange unless they had reason to suspect Mr C may be at risk of financial harm.

On balance, while I do recognise that Mr C made four payments in one day to a cryptocurrency exchange, I don't think the values were so significant that Revolut needed to intervene prior to them being processed. There's possibly an argument that on the £2,000 payment Revolut could have provided an automated tailored cryptocurrency scam warning. But on balance I think it's unlikely this would have made a difference to Mr M considering the positive reviews, articles and seemingly professional set up of the website and interface he had used. So, I think it's more likely he would have continued with the payments at that point.

I've gone on to consider the faster payment of £8,977 that Mr C made the following month. The first thing to note is that this payment was not made towards a cryptocurrency exchange, and instead appears to have been sent to a company linked to electrical installations. I also note the amount is very precise, and not a rounded figure as the previous payments were. It's unclear if this payment is linked to the scam, as I have not seen any evidence of communications between Mr C and the scammer, and it does not appear to be linked to cryptocurrency as Mr C has suggested it is.

In any event, this payment was flagged for further checks by Revolut, and they asked Mr C to select the payment purpose from a drop-down list. Though there was the option to select 'cryptocurrency' or 'investment', Mr C instead selected 'good and services' as the reason he was making the payment.

As there was no clear indication this payment was going to crypto, as 'C' did not appear to be linked to cryptocurrency in any way and Mr C did not indicate that's what the payment was for, I think it is reasonable that Revolut did not carry out further checks before it was processed. On balance, while the value of the payment was higher than the previous ones on the account, I don't think it warranted a human intervention and instead I think the additional questions asked by Revolut was reasonable in the circumstances. And they provided a warning relevant to the scam risks identified when Mr C selected 'goods and services' on the drop-down list. So, I don't think they missed an opportunity to meaningfully reveal the scam.

Revolut has correctly set out that they were unable to raise a chargeback claim for the card payments. The chargeback scheme is voluntary and run by the card issuers and not Revolut. Its purpose is to resolve disputes between merchants and consumers. In this case, Mr C's dispute is with the scammer and not the merchant, and I note the merchant has provided the service paid for, namely the purchasing of cryptocurrency. So, I agree there was no grounds for Revolut to raise a chargeback claim in the circumstances.

Revolut did attempt to recover the faster payment from C, however they did not receive a response from the beneficiary bank despite chasing. As I can see they made attempts to recover the funds, I don't think they could be expected to do more in the circumstances.

My final decision

I do not uphold Mr C's complaint against Revolut Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 1 November 2024.

Rebecca Norris

Ombudsman