

The complaint

Mr T complains that Revolut Ltd (Revolut) is refusing to refund him the amount he lost as the result of a scam.

Mr T is being represented by a third party. To keep things simple, I will refer to Mr T throughout my decision.

What happened

The background of this complaint is well known to all parties, so I won't repeat what happened in detail.

In summary, Mr T was watching a well-known television programme where investments were being discussed. Interested in the potential opportunity Mr T visited what appeared to be the television programme's website and registered his interest with an investment company I will call X. Mr T tells us he checked online reviews of X, which were positive.

Mr T spoke to X on the phone and was advised he would be assigned a broker who would invest on his behalf. X appeared professional and knowledgeable building a trusting rapport with Mr T.

Following his agreement to proceed Mr T was assigned a broker and the relationship between the two continued to develop with both sides exchanging personal information about their personal lives.

As part of the investment process Mr T was required to download remote access software to his device alongside X's trading platform app. Mr T was also advised to open an account with Revolut and complied with all these requests.

Working with X, Mr T was attempting to reach an investment goal of £50,000 as he was told this would increase his profits.

Mr T took a loan from another provider to support his investment but once he reached the target figure, he lost all communication with X and was unable to recover any of his funds.

Mr T made the following payments from his Revolut account:

<u>Payment</u>	<u>Date</u>	<u>Payee</u>	<u>Payment Method</u>	<u>Amount</u>
1	31 August 2022	Crypto.com	Debit Card	£995.00
2	3 October 2022	Crypto.com	Debit Card	£9,990.03
3	16 December 2022	Crypto.com	Debit Card	£20,010.96
4	19 December 2022	Binance	Debit Card	£13,000.00
	3 January 2023	Binance	Credit	£2,596.50cr
5	30 January 2023	Binance	Debit Card	£20,000.00

In my provisional decision sent on 11 April 2025 I said:

'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.

And, as the Supreme Court has recently reiterated in Philipp v Barclays Bank UK PLC, subject to some limited exceptions banks have a contractual duty to make payments in compliance with the customer's instructions.

In that case, the Supreme Court considered the nature and extent of the contractual duties owed by banks to their customers when making payments. Among other things, it said, in summary:

- The starting position is that it is an implied term of any current account contract that, where a customer has authorised and instructed a bank to make a payment, it must carry out the instruction promptly. It is not for the bank to concern itself with the wisdom or risk of its customer's payment decisions.*
- At paragraph 114 of the judgment the court noted that express terms of the current account contract may modify or alter that position. In Philipp, the contract permitted Barclays not to follow its consumer's instructions where it reasonably believed the payment instruction was the result of APP fraud; but the court said having the right to decline to carry out an instruction was not the same as being under a legal duty to do so.*

In this case, the terms of Revolut's contract with Mr T modified the starting position described in Philipp, by – among other things – expressly requiring Revolut to refuse or delay a payment "if legal or regulatory requirements prevent us from making the payment or mean that we need to carry out further checks" (section 20).

So Revolut was required by the terms of its contract to refuse payments in certain circumstances, including to comply with regulatory requirements such as the Financial Conduct Authority's Principle for Businesses 6, which required financial services firms to pay due regard to the interests of their customers and treat them fairly. I am satisfied that paying due regard to the interests of its customers and treating them fairly meant Revolut should have been on the look-out for the possibility of fraud and refused card payments in some circumstances to carry out further checks.

must also take into account that the basis on which I am required to decide complaints is broader than the simple application of contractual terms and the regulatory requirements referenced in those contractual terms. I must determine the complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case (DISP 3.6.1R) taking into account the considerations set out at DISP 3.6.4R.

Whilst the relevant regulations and law (including the law of contract) are both things I must take into account in deciding this complaint, I'm also obliged to take into account regulator's guidance and standards, relevant codes of practice and, where appropriate, what I consider to have been good industry practice at the relevant time: see DISP 3.6.4R. So, in addition to taking into account the legal position created by Revolut's standard contractual terms, I also must have regard to these other matters in reaching my decision.

Looking at what is fair and reasonable on the basis set out at DISP 3.6.4R, I consider that Revolut should in August 2022 to January 2023 have been on the look-out for the possibility

of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances.

In reaching the view that Revolut should have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances, I am mindful that in practice all banks and EMI's like Revolut did in fact seek to take those steps, often by:

- using algorithms to identify transactions presenting an increased risk of fraud;¹*
- requiring consumers to provide additional information about the purpose of transactions during the payment authorisation process;*
- using the confirmation of payee system for authorised push payments; providing increasingly tailored and specific automated warnings, or in some circumstances human intervention, when an increased risk of fraud is identified.*

I am also mindful that:

- Electronic Money Institutions like Revolut are required to conduct their business with “due skill, care and diligence” (FCA Principle for Businesses 2), “integrity” (FCA Principle for Businesses 1) and a firm “must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems” (FCA Principle for Businesses 3)².*
- Over the years, the FCA, and its predecessor the FSA, have published a series of publications setting out non-exhaustive examples of good and poor practice found when reviewing measures taken by firms to counter financial crime, including various iterations of the “Financial crime: a guide for firms”.*
- Regulated firms are required to comply with legal and regulatory anti-money laundering and countering the financing of terrorism requirements. Those requirements include maintaining proportionate and risk-sensitive policies and procedures to identify, assess and manage money laundering risk – for example through customer due-diligence measures and the ongoing monitoring of the business relationship (including through the scrutiny of transactions undertaken throughout the course of the relationship). I do not suggest that Revolut ought to have had concerns about money laundering or financing terrorism here, but I nevertheless consider these requirements to be relevant to the consideration of Revolut’s obligation to monitor its customer’s accounts and scrutinise transactions.*
- The October 2017, BSI Code³, which a number of banks and trade associations were involved in the development of, recommended firms look to identify and help prevent transactions – particularly unusual or out of character transactions – that could involve fraud or be the result of a scam. Not all firms signed the BSI Code (and Revolut was not a signatory), but the standards and expectations it referred to represented a fair articulation of what was, in my opinion, already good industry practice in October 2017 particularly around fraud prevention, and it remains a starting point for what I consider to be the minimum standards of good industry practice now (regardless of the fact the BSI was withdrawn in 2022).*
- Revolut should also have been aware of the increase in multi-stage fraud, particularly involving cryptocurrency when considering the scams that its customers might*

¹ For example, Revolut’s website explains it launched an automated anti-fraud system in August 2018: https://www.revolut.com/news/revolut_unveils_new_fleet_of_machine_learning_technology_that_has_seen_a_fold_reduction_in_card_fraud_and_had_offers_from_banks/

² Since 31 July 2023 under the FCA’s new Consumer Duty package of measures, banks and other regulated firms must act to deliver good outcomes for customers (Principle 12), but the circumstances of this complaint pre-date the Consumer Duty and so it does not apply.

³ BSI: PAS 17271: 2017” Protecting customers from financial harm as result of fraud or financial abuse

become victim to. Multi-stage fraud involves money passing through more than one account under the consumer's control before being sent to a fraudster. Our service has seen a significant increase in this type of fraud over the past few years – particularly where the immediate destination of funds is a cryptocurrency wallet held in the consumer's own name. And, increasingly, we have seen the use of an EMI (like Revolut) as an intermediate step between a high street bank account and cryptocurrency wallet.

- The main card networks, Visa and Mastercard, don't allow for a delay between receipt of a payment instruction and its acceptance: the card issuer has to choose straight away whether to accept or refuse the payment. They also place certain restrictions on their card issuers' right to decline payment instructions. The essential effect of these restrictions is to prevent indiscriminate refusal of whole classes of transaction, such as by location. The network rules did not, however, prevent card issuers from declining particular payment instructions from a customer, based on a perceived risk of fraud that arose from that customer's pattern of usage. So it was open to Revolut to decline card payments where it suspected fraud.

Overall, 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 August 2022 to January 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); and
- 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.

Whilst I am required to take into account the matters set out at DISP 3.6.4R when deciding what is fair and reasonable, I am satisfied that to comply with the regulatory requirements that were in place in August 2022- January 2023, Revolut should in any event have taken these steps.

Should Revolut have recognised that Mr T was at risk of financial harm from fraud?

It isn't in dispute that Mr T has fallen victim to a cruel scam here, nor that he authorised the payments he made by debit card to the scammer via cryptocurrency exchanges.

Whilst I have set out in detail in this decision the circumstances which led Mr T to make the payments using his Revolut account and the process by which that money ultimately fell into the hands of the fraudster, I am mindful that, at that time, Revolut had much less information available to it upon which to discern whether any of the payments presented an increased risk that Mr T might be the victim of a scam.

Firstly, I don't think it was unreasonable that Revolut didn't intervene when Mr T made payment 1. Although the payment was being made to a well-known cryptocurrency

exchange it was not of such a high value that I think it would have reasonably caused concerns.

Payment 2 however, was for a much more significant amount of close to £10,000 and was being made to a well-known cryptocurrency exchange. I think Revolut would have been aware of the increased risks associated with these types of payments, and it should have had concerns that Mr T may have been at risk of financial harm.

Payment 3 was for a value of more than double that of payment 2 and this should have again caused Revolut further concerns.

What did Revolut do to warn Mr T?

The payments Mr T made in relation to the scam were made via his debit card. Revolut has confirmed that Mr T had to confirm that it was him making the payments via 3DS secure using his device, but other than this there were no interventions.

What kind of warning should Revolut have provided?

I've thought carefully about what a proportionate warning in light of the risk presented would be in these circumstances. In doing so, I've taken into account that many payments that look very similar to this one will be entirely genuine. I've given due consideration to Revolut's primary duty to make payments promptly.

In this case, Revolut knew that payment 2 was being made to a cryptocurrency provider and its systems ought to have factored that information into the warning it gave.

Revolut should also have been mindful that cryptocurrency scams have become increasingly varied over the past few years. Fraudsters have increasingly turned to cryptocurrency as their preferred way of receiving victim's money across a range of different scam types, including 'romance', impersonation and investment scams.

Taking that into account, I am satisfied that, by the time payment 2 was made, Revolut ought to have provided Mr T with a tailored written warning relevant to cryptocurrency investment scams, tackling some of the key features of that type of scam.

When Mr T made payment 3 of the increased value of more than £20,000 I think a proportionate intervention would have been for Revolut to have attempted to establish the circumstances surrounding the payment before allowing it to debit Mr T's account. I think it should have done this by, for example, directing Mr T to its in-app chat to discuss the payment further.

If Revolut had provided a warning of the type described, would that have prevented the losses Mr T suffered from payment 2?

I've thought carefully about whether a specific warning covering off the key features of cryptocurrency investment scams would have likely prevented any further loss in this case. And on the balance of probabilities, I think it would have. Payment 2 was the first large payment Mr T made in relation to the scam and there were several key hallmarks of common cryptocurrency investment scams present in the circumstances of Mr T's payments, such as finding the investment through an advertisement endorsed by a celebrity, being assisted by a broker and being asked to download remote access software.

Therefore, on the balance of probabilities, had Revolut provided Mr T with an impactful warning that gave details about cryptocurrency investment scams and how he could protect himself from the risk of fraud, I believe it would have resonated with him and he would not

have made further payments.

Is it fair and reasonable for Revolut to be held responsible for Mr T's loss?

In reaching my decision about what is fair and reasonable, I have taken into account that Mr T funded the payments he made from his Revolut account from another account held in his name, and that the provider of that account did not intervene when he transferred those funds to his Revolut account. He also paid money using his Revolut account to another account in his own name, rather than directly to the fraudster, so he remained in control of his money after he made the payments, and there were further steps before the money was lost to the scammer.

But as I've set out in some detail above, I think that Revolut still should have recognised that Mr T might have been at risk of financial harm from fraud when he made payment 2, and in those circumstances, it should have declined the payment and provided an affective intervention. If it had taken those steps, I am satisfied it would have prevented the losses Mr T suffered. The fact that the money used to fund the scam came from elsewhere and/or wasn't lost at the point it was transferred to Mr T's own account does not alter that fact and I think Revolut can fairly be held responsible for Mr T's loss in such circumstances. I don't think there is any point of law or principle that says that a complaint should only be considered against either the firm that is the origin of the funds or the point of loss.

I've also considered that Mr T has only complained against Revolut. I accept that it's possible that other firms might also have missed the opportunity to intervene or failed to act fairly and reasonably in some other way, and Mr T could instead, or in addition, have sought to complain against those firms. But Mr T has not chosen to do that and ultimately, I cannot compel him to. In those circumstances, I can only make an award against Revolut.

I'm also not persuaded it would be fair to reduce Mr T's compensation in circumstances where: the consumer has only complained about one respondent from which they are entitled to recover their losses in full; has not complained against the other firm (and so is unlikely to recover any amounts apportioned to that firm); and where it is appropriate to hold a business such as Revolut responsible (that could have prevented the loss and is responsible for failing to do so). That isn't, to my mind, wrong in law or irrational but reflects the facts of the case and my view of the fair and reasonable position.

Ultimately, I must consider the complaint that has been referred to me (not those which haven't been or couldn't be referred to me) and for the reasons I have set out above, I am satisfied that it would be fair to hold Revolut responsible for Mr T's loss from payment 2 (subject to a deduction for Mr T's own contribution which I will consider below).

Should Mr T bear any responsibility for his losses?

Despite regulatory safeguards, there is a general principle that consumers must still take responsibility for their decisions (see s.1C(d) of our enabling statute, the Financial Services and Markets Act 2000).

In the circumstances, I do think it would be fair to reduce compensation by 50% on the basis that Mr T should share blame for what happened.

Mr T told us he lied on a loan application to fund the investment initially saying that he didn't think the loan would be approved if he gave the correct loan purpose, but more recently confirming he gave the incorrect loan reason as he was instructed by X.

Mr T was also willing to part with funds of up to £50,000 as part of an investment that he had no previous experience with, without taking any kind of third-party advice, for example from a financial advisor, having never met X in person or receiving any formal documentation (despite requesting this).

In addition to this Mr T also downloaded remote access software to his device on instruction from X without any concern that this may give essentially a person/ business he had never met access to his device.

I think that the above shows Mr T should have taken more care, for example by researching investment scams or contacting a third-party professional, or even a family member for advice before making large payments.

Had Mr T taken more care I think it's likely he could also have prevented his loss.

Recovering the payments Mr T made

Mr T made payments into the scam via his debit card. When payments are made by card the only recovery option Revolut has is to request a chargeback.

The chargeback scheme is a voluntary scheme set up to resolve card payment disputes between merchants and cardholders. The card scheme operator ultimately helps settle disputes that can't be resolved between the merchant and the cardholder.

Such arbitration is subject to the rules of the scheme, meaning there are only limited grounds and limited forms of evidence that will be accepted for a chargeback to be considered valid, and potentially succeed. Time limits also apply.

Mr T made payments to a cryptocurrency exchange in exchange for cryptocurrency that was then sent to X. I don't consider that a chargeback would have had any prospect of success given there's no dispute that the cryptocurrency exchange provided the cryptocurrency to Mr T, which he subsequently sent to the fraudsters.'

I gave Revolut and Mr T time to respond to my provisional 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.

Neither Mr T nor Revolut provided anything further for me to consider. So, with this in mind I see no reason to come to a different outcome to that I explained in my provisional decision.

Putting things right

To put things right I require Revolut Ltd to:

- refund payments 2 onwards less the credits received.
- from this amount Revolut can make a 50% deduction in relation to contributory negligence
- add 8% simple interest per year to the amount it pays Mr T from the date of the loss to the date a refund is made (less any lawfully deductible tax)

My final decision

I uphold this complaint and require Revolut Ltd to put things right by doing what I've explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 23 May 2025.

Terry Woodham
Ombudsman