The complaint

Mr B complains Revolut Ltd didn't do enough to protect him when he fell victim to an investment scam.

What happened

Mr B lost £5,000 to a crypto investment scam. He was tricked into investing with a company he found via a social media advert, which appeared to be endorsed by a celebrity.

Having initially made a $250 initial investment via one of his existing bank accounts, Mr B said the scammer advised him to set up a Revolut account to make it easier for him to purchase crypto. Mr B then made, and attempted, a series of card payments to a legitimate crypto exchange (which I'll refer to as "M") from his newly opened Revolut account as follows:

Payment	Date and time	Amount	Status
1	5 May 2023 10:05	£1,100	Completed
	5 May 2023 11:05	£2,500	Declined
	5 May 2023 11:11	£2,500	Declined
	5 May 2023 11:13	£2,500	Declined
	5 May 2023 11:23	£1,500	Declined
2	5 May 2023 15:26	£1,500	Completed
3	8 May 2023 09:11	£2,400	Completed

Mr B explained that the scammer then advised him how to transfer his crypto from his crypto exchange wallet to the trading account. Mr B said he saw his funds reflected in the trading account instantly and believed the investment was working well.

Mr B said he realised it was a scam, when he received a cold call from someone advising they could help him get his funds back from the investment. Having conducted some further checks, including contacting the Financial Conduct Authority (FCA), Mr B realised he'd been scammed and that his money was lost.

Revolut refused to refund Mr B's loss. Unhappy with its response, Mr B referred a complaint to the Financial Ombudsman. Our Investigator upheld the complaint in part, as she considered Revolut could have prevented the loss from Mr B's last two payments.

Mr B accepted. Revolut didn't accept our Investigator's recommendation, in summary it said:

- It was unfair to hold Revolut liable in the circumstances as Mr B had transferred funds from an existing account, to Revolut and then on to a crypto wallet in his own name. It said the fraudulent activity did not therefore happen from his Revolut account.
- The fact that payments were being made to a crypto account was not enough to say they were unusual or out of character, as it is typical for Revolut customers to open

accounts purely to facilitate payments of a specific purpose and rather than to be used as a main account.

The complaint has now 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.

Having done so, I'm upholding this complaint for largely the same reasons as our Investigator.

I would like to say at the outset, that while I have summarised this complaint in far less detail than the parties involved, I have read and considered everything provided. If there is a submission I've not addressed, it isn't because I have ignored the point. It is simply because my findings focus on what I consider to be the central issues in this complaint – that being whether Revolut can be fairly and reasonably be held responsible for any of the loss Mr B suffered.

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 May 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 fraudulent practices are evolving (including for example the common use of multi-stage fraud by scammers, including the use of payments to crypto accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.

<u>Should Revolut have recognised that Mr B was at risk of financial harm from fraud?</u>

It isn't in dispute that Mr B has fallen victim to a cruel scam here, nor that he authorised the payments he made to his crypto wallet (from where that crypto was subsequently transferred to the scammer).

Whilst I have set out the circumstances which led Mr B to make the payments using his Revolut account and the process by which that money ultimately fell into the hands of the scammer, 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 B might be the victim of a scam.

I'm aware that crypto exchanges, like M, generally stipulate that the card used to purchase crypto at its exchange must be held in the name of the account holder, as must the account used to receive cash payments from the exchange. Revolut would likely have been aware of this fact too. So, it could have reasonably assumed that Mr B's payments would be credited to a wallet held in his own name.

By May 2023, when these transactions took place, firms like Revolut had been aware of the risk of multi-stage scams involving crypto for some time. Scams involving crypto have increased over time. The FCA and Action Fraud published warnings about crypto scams in mid-2018 and figures published by the latter show that losses suffered to crypto scams have continued to increase since. They reached record levels in 2022. During that time, crypto was typically allowed to be purchased through many high street banks with few restrictions.

By the end of 2022, however, many of the high street banks had taken steps to either limit their customers' ability to purchase crypto using their bank accounts or increase friction in relation to crypto related payments, owing to the elevated risk associated with such transactions. And by May 2023, when these payments took place, further restrictions were in place. This left a smaller number of payment service providers, including Revolut, that allowed customers to use their accounts to purchase crypto with few restrictions. These restrictions – and the reasons for them – would have been well known across the industry.

I recognise that, as a result of the actions of other payment service providers, many customers who wish to purchase crypto for legitimate purposes will be more likely to use the services of an EMI, such as Revolut. And I'm also mindful that a significant majority of crypto purchases made using a Revolut account will be legitimate and not related to any kind of fraud (as Revolut has told our service). However, our service has also seen numerous examples of consumers being directed by fraudsters to use Revolut accounts in order to facilitate the movement of the victim's money from their high street bank account to a crypto provider, a fact that Revolut is aware of.

So, taking into account all of the above I am satisfied that by the end of 2022, prior to the payments Mr B made in May 2023, Revolut ought fairly and reasonably to have recognised that its customers could be at an increased risk of fraud when using its services to purchase crypto, notwithstanding that the payment would often be made to a crypto wallet in the consumer's own name.

To be clear, I'm not suggesting, as Revolut argues, that as a general principle Revolut should have more concern about payments being made to a customer's own account than those which are being made to third party payees.

As I've set out in some detail above, it is the specific risk associated with crypto in May 2023 that, in some circumstances, should have caused Revolut to consider transactions to crypto providers as carrying an increased risk of fraud and the associated harm.

In those circumstances, as a matter of what I consider to have been fair and reasonable, good practice and to comply with regulatory requirements, Revolut should have had appropriate systems for making checks and delivering warnings before it processed such payments. Revolut was also required by the terms of its contract to refuse or delay payments where regulatory requirements meant it needed to carry out further checks.

Taking all of the above into account, and in light of the increase in multi-stage fraud, particularly involving crypto, I don't think that the fact the payments were going to an account held in Mr B's own name should have led Revolut to believe there wasn't a risk of fraud.

So, I’ve gone onto consider, taking into account what Revolut knew about the payments, at what point, if any, it ought to have identified that Mr B might be at a heightened risk of fraud that merited its intervention.

I think Revolut should have identified that Mr B’s first payment was going to a crypto provider - M is a well-known crypto provider. But given its value, and considering the payment in isolation, I don’t think Revolut ought to have been sufficiently concerned that it would be fair and reasonable to expect it to have provided warnings to Mr B at this point.

But I think Revolut ought to have been concerned that, within an hour of making the first payment, Mr B had instructed a second payment to M which was more than double the value of the first payment. This would have taken his daily spend to £3,600. Given what Revolut knew about the destination of the payment, I think that the circumstances should have led Revolut to consider that Mr B was at heightened risk of financial harm from fraud.

In line with good industry practice and regulatory requirements, I am satisfied that it is fair and reasonable to conclude that Revolut should have warned Mr B about the risks associated with his payment instructions before allowing further payments to be made.

To be clear, I do not suggest that Revolut should provide a warning for every payment made to crypto. Instead, as I’ve explained, I think it was a combination of the characteristics of the attempted payment (combined with the payment which came before it), the timing of the payment and the fact it went to a crypto provider, which ought to have prompted a warning.

What did Revolut do and what kind of warning should Revolut have provided?

Revolut has evidenced that four of Mr B’s payment attempts were declined. But, despite being invited to do so, it has not explained why they were declined. It has however confirmed it didn’t contact Mr B to discuss any of his payments or payment attempts.

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 Mr B’s payment will be entirely genuine. I’ve given due consideration to Revolut’s duty to make payments promptly, as well as what I consider to have been good industry practice at the time this payment was made.

Taking that into account, I think Revolut ought to have provided Mr B with a warning (whether automated or in some other form) that was specifically about the risk of crypto scams, given how prevalent they had become by the end of 2022. In doing so, I recognise that it would be difficult for such a warning to cover off every permutation and variation of crypto scam, without significantly losing impact.

So, at this point in time, I think that such a warning should have addressed the key risks and features of the most common crypto scams – crypto investment scams. The warning Revolut ought fairly and reasonably to have provided should have highlighted, in clear and understandable terms, the key features of common crypto investment scams, for example referring to: an advertisement on social media, promoted by a celebrity or public figure; an ‘account manager’, ‘broker’ or ‘trader’ acting on their behalf; the use of remote access software and a small initial deposit which quickly increases in value.

I recognise that a warning of that kind could not have covered off all scenarios. But I think it would have been a proportionate way for Revolut to minimise the risk of financial harm to Mr B by covering the key features of scams affecting many customers but not imposing a level of friction disproportionate to the risk the payment presented.

If Revolut had provided a crypto investment scam warning, would that have prevented the losses Mr B incurred after that point?

I've thought carefully about whether a specific warning covering off the key features of crypto investment scams would have likely prevented any further loss in this case. And on the balance of probabilities, I think it would have. There were several key hallmarks of common crypto investment scams present in the circumstances of Mr B's payments, such as finding the investment through an advertisement endorsed by a public figure and being assisted by a broker.

I've also reviewed emails between Mr B and the scammer (though I note that Mr B appears to have spoken to the scammer, not just communicated by email and I haven't heard those conversations). I've found nothing within those emails that suggests Mr B was asked, or agreed to, disregard any warning provided by Revolut. I've also seen no indication that Mr B expressed mistrust of Revolut or financial firms in general.

Neither do I think that the email communication demonstrates a closeness of relationship between Mr B and the scammer that Revolut would have found difficult to counter through a warning.

I've taken into account that Mr B believed he had made modest returns at the point of suggested intervention (although I have seen no evidence that Mr B withdrew any money from his crypto account). But the weight of evidence that I've outlined persuades me that Mr B was not so taken in by the scammer to such an extent that he wouldn't have listened to the advice of Revolut.

Also, while I have evidence that Mr B was contacted by his existing bank about a payment he made to his Revolut account, I have no evidence that he was provided with any form of crypto investment warning at that time.

Therefore, on the balance of probabilities, had Revolut provided Mr B with an impactful warning that gave details about crypto investment scams and how he could protect himself from the risk of fraud, I believe it would have resonated with him. He could have paused and looked more closely into the broker before proceeding, as well as making further enquiries into crypto scams and whether or not the broker was regulated in the UK or abroad. I'm satisfied that a timely warning to Mr B from Revolut would very likely have caused him to take the steps he did took later – for example contacting the FCA – revealing the scam and preventing his further losses.

Is it fair and reasonable for Revolut to be held responsible for some of Mr B's loss?

In reaching my decision about what is fair and reasonable, I have taken into account that Mr B transferred funds from his existing current account, held with another bank, into his newly opened Revolut account. From there Mr B purchased crypto which credited a wallet account in his own name, rather than making a payment directly to the scammer. So, he remained in control of his money after he made the payments from his Revolut account, and it took further steps before the money was lost to the scammer.

I have carefully considered Revolut's view that in a multi-stage fraud, a complaint should be properly considered only against either the firm that is a) the 'point of loss' – the last point at which the money (or crypto) remains under the victim's control; or b) the origin of the funds – that is the account in which the funds were prior to the scam commencing. It says it is (in this case and others) merely an intermediate link – being neither the origin of the funds nor the point of loss and it is therefore irrational to hold it responsible for any loss.

But as I've set out in some detail above, I think that Revolut still should have recognised Mr B might have been at risk of financial harm from fraud when he made the second payment, and in those circumstances it should have provided a relevant warning before allowing further payments to be made. If Revolut had warned Mr B, as set out above, I am satisfied it would have prevented the losses Mr B 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 B's own account does not alter that fact and I think Revolut can fairly be held responsible for his 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 B 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 B could instead, or in addition, have sought to complain against those firms. But Mr B 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 B's compensation in circumstances where: Mr B has only complained about one respondent from which he is entitled to recover his 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 B's loss from the second payment.

Should Mr B bear any responsibility for his losses?

I've thought carefully about whether Mr B should bear any responsibility for his loss. In doing so, I've considered what the law says about contributory negligence, as well as what I consider to be fair and reasonable in all the circumstances of this complaint.

In my judgement, this was a sophisticated scam. Mr B found the opportunity via an advert on social media, which appeared to carry a celebrity endorsement, both of which added to Mr B's belief this it was in fact a genuine opportunity. He has also described being directed to a professional looking website, which carried a number of hallmarks of a legitimate firm.

Before signing up to the investment, Mr B was required to fulfil various know your customer (KYC) and anti-money laundering procedures. Mr B has explained when he spoke with the scammers he could hear background noise, suggestive of an office environment, which again added to his belief it was a legitimate business operating at scale. He was also given access to a trading account which allowed him to track his investment. While he was happy with his profits – he understood he had achieved a 10% return – he believed this was relatively low compared with what he heard in the media about crypto investment returns. He therefore had no concerns that what he was being promised was *"too good to be true".*

I appreciate that many of the features of the scam, as described above, were in fact hallmarks of typical crypto investment scams that were prevalent at the time. But I'm also mindful that Mr B was new to crypto investments and was unaware of the existence of crypto investment scams. While he had attempted to carry out his own due diligence – for example by asking for information about how the investment firm was regulated – it's clear he did not know how to manage the risk himself, as he was falsely reassured by the scammers. I think it would have taken an intervening act – such as a warning from Revolut – to uncover that what Mr B was being told and shown were in fact common scam tactics.

Therefore, I don't think it would be fair in these circumstances to make Mr B share responsibility for the losses he suffered.

Putting things right

As Revolut ought to have been able to prevent Mr B's losses from payment two onwards, I consider it should refund him £3,900. As Mr B has lost the use of these funds in the intervening period, Revolut should add 8% simple interest to the sum from the date of payments to the date of settlement.

My final decision

For the reasons set out above, I uphold this complaint. I direct Revolut Ltd to pay Mr B £3,900, plus 8% simple interest, calculated from the date of each payment to the date of settlement (less any tax properly deductible).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 23 April 2025.

Lisa De Noronha
Ombudsman