

The complaint

Mr K complains that Revolut Ltd ('Revolut') won't refund the money he lost to an investment scam.

He's being represented by a firm of solicitors. To keep things simple, I'll refer to Mr K throughout this decision.

What happened

The background to this complaint is known to both parties. I won't repeat all the details here.

In summary, Mr K says that, in July 2022, he came across a social media advert for a company (I'll call 'X'). X (the scammer) was advertising investments in cryptocurrency. He was led to believe X would trade on his behalf and that he could make significant profits. The opportunity appealed to him and, after registering his interest through an online form, he was first called by a 'representative' from X and then assigned an 'account manager'.

He was led to believe he could start investing with small amounts and that the profits were "*guaranteed*". He says he was told X could offer "*50% profits within 3 months*". He found nothing online to indicate a scam. And to make the scam more convincing he was taken through an ID/KYC process and given access to a professional-looking platform where he could see his 'deposits' and 'profits' – giving him a false sense of security.

Believing X was a legitimate and professional company, he began investing as instructed. He was asked to install remote access software as part of the process. Payments were first made from Mr K's personal bank but continued from his Revolut account from December 2022. All the payments from his Revolut account were made for what he believed were withdrawal costs and taxes so he could then access his funds. But he realised he'd been scammed when, having paid as requested, he was again asked to pay more. By that time around £34,000 had been sent from Revolut and lost to the scam.

Below are the payments I've considered as part of this complaint. To note, some of the money used to fund the payments was from loans Mr K took out with separate lenders.

	Date	Method	Payee	Amount
1	29-Dec-22	Card payment	Cro	£12,925.24
2	02-Jan-23	Card payment	Cro	£13,028.24
3	05-Jan-23	Card payment	Crypto.com	£6,179.40
4	05-Jan-23	Card payment	Crypto.com	£1,906.04

The scam was reported to Revolut in March 2023. A complaint was raised and referred to our Service. Our Investigator considered it and upheld it. In brief, she thought that Revolut ought to have intervened on Payment 1 (as above) to question Mr K about the surrounding circumstances and that, if it had, then the scam would have likely come to light and Mr K's losses would have been prevented. She recommended a refund of all payments plus

interest. She also thought Mr K had contributed to his losses, such that the refund Revolut needs to pay should fairly be reduced by 50%.

Mr K accepted the Investigator's outcome. Revolut didn't. In summary it has said:

- The payments were made to accounts Mr K owned and controlled. The fraud didn't occur on its platform. The payments were authorised, to legitimate cryptocurrency platforms, and not out of character, nor unexpected, with the typical way its accounts are used or with the account opening reason. Mr K had paid to crypto previously, the scam wasn't conducted in the 'heat of the moment'; Mr K didn't carry out appropriate due diligence, didn't question unrealistic returns; a quick search would have revealed warnings about X.
- Neither the Contingent Reimbursement Model ('CRM') nor the mandatory reimbursement rules apply. It shouldn't be required to refund 'self-to-self' payments where it's only an intermediate link and there are typically other authorised banks and financial institutions in the chain which aren't being held liable but had more data than Revolut. There's no rational explanation as to why it should be held responsible for all, most, or 50% of a loss in such scenarios where the transactions are 'self-to-self'.
- It's relevant to consider possible other firm interventions/warnings provided, such as from the bank from which the funds into Revolut originated. It may also be applicable for the Financial Ombudsman Service to inform Mr K it may be appropriate for him to make a complaint against another respondent firm if necessary.

As the matter couldn't be resolved informally, it's been passed to me to decide.

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've reached the same conclusions as the Investigator and for similar reasons.

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 (the 2017 regulations) and the terms and conditions of the customer's account. And, as the Supreme Court 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 K modified the starting position 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 with Mr K to refuse payments in certain circumstances, including to comply with regulatory requirements such as the Financial Conduct Authority's (FCA) Principle for Businesses 6, which required financial services firms to pay due regard to the interests of their customers and treat them fairly.

I'm 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.

I must also take into account that the basis on which I'm 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, at the time of these payments, 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'm mindful that in practice all banks and EMIs 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'm also mindful that:

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_fourfold_reduction_in_card_fraud_and_had_offers_from_banks/

- 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 “*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 in the course of the relationship). I don’t suggest that Revolut ought to have had concerns about money laundering or financing terrorism here. 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 (Revolut wasn’t 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 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

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”

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 that when these payments were made, 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 and the use of payments to cryptocurrency accounts as a step to defraud) and the different risks these can present to consumers when deciding if to intervene.

Whilst I'm required to take into account the matters set out at DISP 3.6.4R when deciding what is fair and reasonable, I'm satisfied that to comply with the regulatory requirements in place at the time of the payments, Revolut should in any event have taken these steps.

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

There's no dispute Mr K was scammed, nor that he authorised the card payments to his accounts with legitimate cryptocurrency platforms (from where his funds were sent and lost to the scam). I'm also aware cryptocurrency platforms generally stipulate that the card used to purchase cryptocurrency on their platform 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 most of the disputed payments would be credited to a cryptocurrency wallet held in Mr K's name.

But, by the time of the payments, firms like Revolut had been aware of the risk of multi-stage scams involving cryptocurrency for some time. Scams involving cryptocurrency have increased over time. The FCA and Action Fraud published warnings about cryptocurrency scams in mid-2018 and figures published by the latter show that losses suffered to cryptocurrency scams have continued to increase since. They reached record levels in 2022.

During that time, cryptocurrency was typically allowed to be purchased through many high street banks with few restrictions. By the end of 2022, however, many high street banks had taken steps to either limit their customer's ability to purchase cryptocurrency using their accounts or increase friction in relation to cryptocurrency related payments, owing to the elevated risk associated with such transactions. This left a smaller number of payment service providers, including Revolut, that allowed customers to use their accounts to purchase cryptocurrency with few restrictions. These restrictions, and the reasons for them, would have been well known in the industry.

I recognise that, as a result of actions of other payment service providers, many customers who wish to purchase cryptocurrency for legitimate purposes will be more likely to use the

services of an EMI (like Revolut). I'm also mindful 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 us). However, our Service has also seen numerous examples of customers being directed by fraudsters to use Revolut accounts to facilitate the movement of a victim's money from their high street bank to a cryptocurrency provider – a fact Revolut is aware of.

So, taking into account all the above, I'm satisfied that by the end of 2022, Revolut ought, fairly and reasonably, to have recognised its customers could be at an increased risk of fraud when using its services to buy cryptocurrency, notwithstanding that a payment would often be made to a cryptocurrency wallet in the customer's name. And, considering all the above, and in light of the increase in multi-stage fraud, particularly involving cryptocurrency, I don't think the fact the disputed payments in this case were going to an account in Mr K's name should have led Revolut to believe there wasn't a risk of fraud.

I've thought carefully about Revolut's comments that Mr K had made payments (which aren't in dispute) to cryptocurrency before; that the activity was in line with the account opening purpose; and that the payee was not new. But, like the investigator, I think there was still enough about Payment 1 for Revolut to have intervened. The payment was for a significant amount. And it marked a significant increase in spending on an account that had typically been used for much lower value transactions (to cryptocurrency or otherwise). In my view, considering these factors, there was enough for it to have been concerned Mr K might be at a heightened risk of financial harm from fraud. And, in line with good industry practice and regulatory requirements, I think it's fair and reasonable to conclude that a proportionate response to the risk presented by Payment 1 would have been for it to have questioned Mr K about the circumstances (for example, through its *in-app* chat).

If Revolut had attempted to establish the circumstances surrounding Payment 1, would the scam have come to light and Mr K's losses prevented?

I've thought carefully about whether such an intervention would have likely prevented Mr K's losses in this case – and, on balance, I think it would have.

There were several key aspects of common cryptocurrency investment scams present in the circumstances of Mr K's payments. He had, for example, found the opportunity through social media. He was 'investing' with an unregulated 'account manager' at X. He had been promised unrealistic "*guaranteed*" returns. He had been asked to download remote access software as part of the process. He was led to believe payments from Revolut were required for him to withdraw funds. I'm satisfied if Mr K had provided this background, then Revolut would have recognised he was likely falling victim to a scam. And I think it's unlikely Mr K would have continued making payments after a clear warning about what his particular situation looked like – especially when, as Revolut has said, a warning had also been published about X by the FCA by the time that these payments came about.

In reaching this view, I've looked carefully through the messages Mr K exchanged with the scammer. I'm not persuaded he'd have likely misled Revolut if he'd been asked about what he was doing as part of a 'live' intervention. I'm not convinced there's enough to suggest he would have disregarded its warnings. I don't think that Mr K had developed such a close relationship with the scammer to the point that it would have been difficult for Revolut to help him realise he was likely being scammed. In fact, I can see Mr K had concerns before these payments were made (which he expressed to the scammer) about what he was being told he needed to pay to withdraw funds. And, following our enquiries, I've seen insufficient evidence to show Mr K was provided with relevant warnings by the firm from which the money into Revolut originated. In the circumstances, and on balance, I think it's likely he'd have been upfront about what was happening if questioned and again I don't consider the

situation here was such that Mr K was taken in by the scammer, to the extent that Revolut would have found it difficult to break the 'spell' through a 'live' intervention.

Is it fair and reasonable for Revolut to be held responsible for Mr K's losses?

In reaching my decision about what's fair and reasonable, I've taken into account that Mr K first moved money from his account with another bank, to his account with Revolut, and then to a cryptocurrency platform in his name before the funds were lost to the scam.

But, as I've set out, I think Revolut still should have recognised Mr K may have been at risk of fraud at Payment 1 and that in those circumstances it should have declined the payment and contacted him about what he was doing. If it had taken those steps, I think it would have likely prevented Mr K's losses. 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 K's account doesn't alter that fact. And I think Revolut can fairly be held responsible for Mr K's losses in such circumstances. I don't think there is any point of law or principle that says 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 K has only complained against Revolut. I accept it's possible other firms might also have missed the opportunity to intervene or failed to act fairly and reasonably in some other way, and Mr K could instead, or in addition, have sought to bring a complaint to us against those firms. But Mr K hasn't done that and I can't compel him to. In the circumstances, I can only make an award against Revolut. As I've mentioned, I have nevertheless considered possible interventions carried out by the sending bank when deciding what's fair and reasonable in this case – and, again, I've not seen enough to show Mr K was given warnings relevant to his situation at the time.

I'm also not persuaded it'd be fair to reduce Mr K's compensation in circumstances where he's complained to us about one firm from which he's entitled to recover his losses in full; he hasn't complained to us about other firms (so is unlikely to recover any amounts apportioned to those firms); and where it's appropriate to hold a firm responsible (like Revolut) when it 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 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've set out above, I'm satisfied it would be fair to hold Revolut responsible for Mr K's losses from Payment 1.

As for Revolut's comments around the CRM code and the mandatory reimbursement scheme, neither of these apply. I'm not persuaded this means I can't consider whether it failed to act fairly and reasonably in this case. I've given my reasons for finding Revolut should have done more to protect Mr K from fraud and that, if it had, it's likely he wouldn't have lost his money. I'm satisfied it's fair to hold Revolut liable for Mr K's losses in these circumstances (subject to a deduction for contributory negligence which I'll go on to below).

Should Mr K bear any responsibility for his losses?

In considering this point, I've taken into account what the law says about contributory negligence as well as what's fair and reasonable in the circumstances of this complaint.

As noted above, the Investigator upheld Mr K's complaint and concluded that the refund payable by Revolut can be reduced by 50% to account for his contributory negligence. Mr K accepted that outcome and I agree with this position. I again note, for example, that he was led to believe he could receive "guaranteed" returns and "50% profits within 3 months".

I'm satisfied these kinds of promises would strike most people as unrealistic and should have put him on notice the 'opportunity' might not be genuine. I don't think it was reasonable, in this case, for Mr K to take out loans and proceed with payments, given also his concerns about what he was being asked to do, without doing more to verify the information he was given. And if he'd carried out sufficient checks independently of the scammer (as would reasonably be expected here) he'd have likely found, for example, that genuine investments are highly unlikely to offer returns or guarantees like the ones he was given.

In the circumstances, weighing up the role both parties to the case played in what happened, I agree liability for Mr K's losses should fairly and reasonably be shared equally and the refund payable by Revolut reduced by 50%.

Could Revolut have done anything to recover Mr K's money?

All the disputed payments were made to accounts Mr K held with genuine cryptocurrency platforms. Mr K then sent that cryptocurrency to the scammer. I'm satisfied there was little Revolut could have done to recover those funds by the time that the matter was reported. And it's unlikely a chargeback would have had any prospect of success given there's no dispute Mr K received the cryptocurrency as intended before it was lost to the scam.

Putting things right

For the reasons I've given, I uphold this complaint and direct Revolut Ltd to:

- Refund all payments;
- Reduce this amount by 50% to account for Mr K's contributory negligence;
- Pay 8% interest on this amount from the date of loss to date of settlement (less any tax lawfully deductible).

My final decision

For the reasons I've given, I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 11 July 2025.

Thomas Cardia
Ombudsman