

The complaint

Mr C complains that Revolut Ltd won't refund him the money he lost after he fell victim to an Authorised Push Payment ('APP') scam.

Mr C brings his complaint with the assistance of representation, but for readability, in what follows I will refer solely to Mr C.

What happened

The background to this complaint was laid out in detail by our Investigator in their view. It is well known to both parties, so I won't repeat it in detail here. But in summary I understand it to be as follows.

In February 2024 Mr C received a call from fraudsters. They said they were from HMRC and were calling about tax evasion. Mr C has said the previous summer he had worked two jobs and had claimed some emergency tax back, so thought it might be to do with that.

Mr C was asked to make payments immediately to avoid court proceedings and if things turned out to be an honest mistake, Mr C would be able to get the money back. Mr C added that the fraudsters were able to make it look like they were calling from a genuine number and they sent him an image of a letter from HMRC, which he thought looked genuine.

The tactics used by the fraudsters, prompted Mr C to make the following payments, totalling £2,097, from his Revolut account, to the same new payee whose account details the fraudsters provided;

1.	28 February 2024 @ 11:17	£199
2.	28 February 2024 @ 11:20	£199
3.	28 February 2024 @ 11:21	£199
4.	28 February 2024 @ 11:22	£199
5.	28 February 2024 @ 11:22	£199
6.	28 February 2024 @ 11:23	£199
7.	28 February 2024 @ 11:24	£199
8.	28 February 2024 @ 11:24	£107
9.	28 February 2024 @ 11:46	£199
10.	28 February 2024 @ 11:48	£199
11.	28 February 2024 @ 11:48	£199

Mr C realised he'd been scammed, when the fraudsters asked for more money and he spoke to somebody he knew about what was happening, who told him they thought this was a scam.

Mr C raised the matter with Revolut, who looked into things but declined to refund him the money that he had lost. In summary, it didn't believe that it was at fault and had acted on best practises. Revolut did make attempts to recover the money Mr C had sent from the

beneficiary financial firm (the financial firm to which the money was sent), but they received confirmation back that no funds remained.

Unhappy with Revolut's response, Mr C brought his complaint to this service. One of our Investigator's looked into things and thought the complaint should be upheld in part. In summary, it was our Investigator's view that at the point Mr C was making the fourth payment, in the table above, there was enough going on that Revolut ought to have done more than it did and it ought to have intervened, and made further enquiries about the purpose of the payments, such as through its in app chat.

It was our Investigator's view that had Revolut done this, it would have made a difference and Mr C wouldn't have gone on to make the payment, or any further payments. Our Investigator also considered whether Mr C should share any liability for his loss, but she concluded that he shouldn't. Overall, it was our Investigator's recommendation that Revolut should refund Mr C the money he lost from the fourth payment onwards and that it should pay 8% simple interest on this amount, from the time that the payments were made. Alongside this, our Investigator recognised the impact the scam had on Mr C and thought Revolut ought to pay a further £100, to compensate him for the additional distress caused through Revolut not intervening in a timely manner.

In response to our Investigator's view, Revolut suggested that a compromise would be for liability to be split in this case and for Mr C to receive 50% of the amount lost from the fourth payment. Mr C didn't accept Revolut's offer.

As an agreement couldn't 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.

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.

I'm aware in his submissions Mr C has referred to other decisions issued by our service. But I would point out that, while on the surface complaints may seem quite similar, each complaint is determined by its own individual circumstances. Here, as I'm required to do, I've looked at the individual circumstances of Mr C's complaint.

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 C modified the starting position described in *Philipp*, by 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*".

So Revolut was required by the implied terms of its contract with Mr C and the Payment Services Regulations to carry out their instructions promptly, except in the circumstances set out in its contract, which included where regulatory requirements meant it needed to carry out further checks.

Whether or not Revolut was required to refuse or delay a payment for one of the reasons set out in its contract, the basic implied requirement to carry out an instruction promptly did not in any event mean Revolut was required to carry out the payments immediately¹. Revolut could comply with the requirement to carry out payments promptly while still giving fraud warnings, or making further enquiries, prior to making the payment.

And, I am satisfied that, taking into account longstanding regulatory expectations and requirements and what I consider to have been good industry practice at the time, Revolut should in February 2024 fairly and reasonably 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 (irrespective of whether it was also required by the express terms of its contract to do so).

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 do in fact seek to take those steps, often by:

- using algorithms to identify transactions presenting an increased risk of fraud;²
- 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.

¹ The Payment Services Regulation 2017 Reg. 86(1) states that "the payer's payment service provider must ensure that the amount of the payment transaction is credited to the payee's payment service provider's account **by the end of the business day following the time of receipt of the payment order**" (emphasis added).

² 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/>

In reaching my conclusions about what Revolut ought fairly and reasonably to have done, 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).
- 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).
- Since 31 July 2023, under the FCA’s Consumer Duty⁴, regulated firms (like Revolut) must act to deliver good outcomes for customers (Principle 12) and must avoid causing foreseeable harm to retail customers (PRIN 2A.2.8R). Avoiding foreseeable harm includes ensuring all aspects of the design, terms, marketing, sale of and support for its products avoid causing foreseeable harm (PRIN 2A.2.10G). One example of foreseeable harm given by the FCA in its final non-handbook guidance on the application of the duty was *“consumers becoming victims to scams relating to their financial products for example, due to a firm’s inadequate systems to detect/prevent scams or inadequate processes to design, test, tailor and monitor the effectiveness of scam warning messages presented to customers”*⁵.

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 February 2024 that Revolut should:

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

⁴ Prior to the Consumer Duty, FCA regulated firms were required to “pay due regard to the interests of its customers and treat them fairly.” (FCA Principle for Businesses 6). As from 31 July 2023 the Consumer Duty applies to all open products and services.

⁵ The Consumer Duty Finalised Guidance FG 22/5 (Paragraph 5.23)

- 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;
- have acted to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring all aspects of its products, including the contractual terms, enabled it to do so;
- 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).

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

Having considered this carefully, I agree with our Investigator for broadly the same reasons.

When thinking about the first three payments, I don't think I can fairly or reasonably say that they would have appeared as so unusual or suspicious, that they ought to have alerted Revolut that Mr C may have been at risk of financial harm.

However, by the time the fourth payment was being made, I'm persuaded that there were a number of unusual factors that should have given Revolut some cause for concern. I say that as this was the fourth payment, within the space of just a few minutes, to a new payee. Alongside this Revolut would have been aware that the first payment had fired a Confirmation of Payee (COP) no match and the pattern of depositing a large amount, followed by payments in such quick succession, for larger amounts than typically are paid from an account, is broadly activity seen in impersonation scams. These factors, taken collectively, should have raised concerns that Mr C was at risk of being scammed.

What did Revolut do to warn Mr C?

When Mr C set up the new payee, he was provided with confirmation that the recipient's bank had confirmed the name he entered wasn't the name on the account (COP no match).

The message advised Mr C to double check the details and only continue if the recipient was trustworthy. Mr C proceeded and was provided with a new payee warning which said;

"Do you know and trust this payee?

If you're unsure, don't pay them, as we may not be able to help you get your money back. Remember, fraudsters can impersonate others and we will never ask you to make a payment."

What kind of warning should Revolut have provided?

As mentioned above, Revolut did take some steps to protect Mr C. Mr C has argued that due to the COP no match on the first payment, the payment should have been refused and held. While I can see the point he is making, I don't agree it would be fair and reasonable to have expected Revolut to have done any more with this payment, or indeed with any of the first three payments.

I say that as Payment Service Providers, such as Revolut, have a difficult balance to strike in fulfilling their obligation to process payments in line with their customer's instruction against identifying, and intervening in, potentially fraudulent payments. I don't think the first three

payments here would have stood out to Revolut and so I'm satisfied the automated warnings it provided were proportionate.

However, given the concerns I think it should have had by the time the fourth payment was being made, I am not persuaded that these automated warnings alone represented a proportionate response to the risk from that point.

I'm persuaded that, in the individual circumstances of this complaint, there was enough going on that Revolut's intervention should have gone further than it did. It should have paused the fourth payment and required Mr C to interact with a member of its staff, such as through its in-app chat function or through a verbal conversation. I would've expected Revolut to have contacted Mr C and asked him questions about the payment – rather than relying on a warning.

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

As I have said above, there were multiple features that indicated Mr C was falling victim to an impersonation scam. If Revolut had communicated with Mr C via chat or telephone and probed further and asked proportionate questions about why he was making the transfers from his account, I'm persuaded the scam would have been uncovered.

In saying that, I'm mindful, that Mr C had been told by the fraudsters not to discuss matters with anybody and that he should select 'family and friends' as the purpose of the payments, so there is the possibility this could have continued if Mr C had been directed to an in-app chat/or a conversation. So, I've thought carefully about whether an in-app intervention of the kind I've described would have uncovered the scam.

But I've also considered that I've not seen any indication that Mr C was provided with a detailed cover story by the scammer which was likely to have withstood a direct intervention through a real time conversation with Revolut.

Once Mr C had been directed to the in-app chat, I would reasonably expect Revolut to have asked open-ended and probing questions about the circumstances of the payment and explained the context around any questions it asked. I think it should have assessed any information it was given, such as anything unusual or implausible in Mr C's answers or any reluctance to answer questions. And I think it should have been aware of the possibility that a customer is being guided through the process by the scammer or have been given a cover story, and taken steps to identify where that was taking place.

On balance, I think it is likely Mr C would have answered Revolut's questions in one of two ways. Either he would have answered them openly and honestly - in which case, I'm persuaded Revolut would have identified the hallmarks of a common scam and warned him appropriately. Alternatively he would have told Revolut he was paying family and friends but, given he didn't have a cover story that extended further than this, I don't think he would have been able to answer any following probing questions, that Revolut reasonably could have asked, persuasively enough so as to convince Revolut that he wasn't at risk.

Either way I am persuaded an intervention would have prevented him from making the payment to the fraudsters. Importantly also, in the circumstances of this case, the evidence shows that Mr C had his own doubts, he had questioned the fraudster and even asked if he could go away to speak to somebody before proceeding – so I don't think it would have taken much questioning from Revolut to compound these doubts. Alongside this, as Revolut didn't question the payment Mr C made, it can provide no compelling evidence that he would have misled it about the purpose of the payment or the surrounding circumstances.

Overall, I'm satisfied that Revolut should fairly and reasonably have intervened further. If it had done so, I'm persuaded it is more likely than not that the scam would have been exposed and Mr C would not have lost the money from this fourth, or the subsequent, payments.

Should Mr C bear any responsibility for his losses?

I've thought about whether Mr C 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 of the circumstances of this complaint, including taking into account Mr C's own actions and responsibility for the losses he has suffered.

I don't think Mr C's actions, or inactions, fell below the standard expected of a reasonable person. Unfortunately, Mr C fell victim to a highly sophisticated and well-orchestrated scam. As with many scams of this type, the fraudsters employed an array of tactics, including spoofed telephone numbers, which can often prove a very powerful deception to convince a customer.

I'm also mindful that Mr C didn't approach things with a complete disregard for risk. He asked for time to speak to somebody before proceeding and he checked the number he was being called from was genuine. And while at times he had his own doubts, I don't think it was unreasonable for him to move on given the reassurances that he was given. In the individual circumstances of this case, Mr C had also had some relatively recent dealings with HMRC, which he thought this call might have been related to, and I can understand how that may have reasonably added an air of plausibility to what was happening.

The fraudster had created an environment where Mr C thought he had to act quickly to protect himself and that he may face serious consequences if he didn't follow the instructions he was given. With the benefit of hindsight and the removal of the pressured environment, it's easier to identify elements where Mr C may have had an opportunity to ask further questions. But the convincing nature of these scams can often have a negative effect on a person's thought process and make them take steps that, in the cold light of day, they might not otherwise take.

Overall, I don't think there should be a deduction to the amount reimbursed. Mr C clearly didn't want to lose his money. His actions cannot be explained by carelessness or personal gain. There's little other explanation than that he believed what he was told by some very sophisticated fraudsters and in the circumstances, I don't find his belief to be unreasonable.

Could Revolut have done anymore to recover Mr C's money?

I've considered whether Revolut acted reasonably in attempting to recover Mr C's funds.

I've seen Revolut did make attempts to recover the money Mr C had sent from the recipient account, but received confirmation that no funds remained. I accept that in doing so Revolut could have acted sooner than it did. But sadly, it is quite typical with these types of scams for fraudsters to move money away from the beneficiary accounts, straight after the payments are made, presumably to frustrate the efforts at this type of recovery – which I think more likely than not happened here.

From the evidence I've seen I don't think Revolut has missed an opportunity to recover any more of the money that Mr C had lost.

Trouble & upset

Finally, I've considered whether Revolut should pay Mr C compensation for the distress and inconvenience he's experienced as a result of Revolut's actions.

I can understand why losing this money was especially distressing and troubling for Mr C, and he's explained that the money lost was intended for his studies and day to day living and he's bravely shared in his submission's details of the impact this scam has had on him. However, it's important that I also recognise the main cause of Mr C's loss and therefore distress, is the fraudster.

In considering this, I've specifically thought about the impact of Revolut's actions, rather than the impact of the crime itself. Revolut's failure to act has had an impact on Mr C, not least because he has been facing the very real possibility for some time that he would not get (some of) his money back. As I've explained, Revolut had the opportunity to prevent payment four onwards from being lost to the scam. For these reasons, I'm satisfied Revolut should pay Mr C £100 for distress and inconvenience.

Putting things right

Overall and with all things considered, for the reasons explained above, my decision is that I uphold this complaint in part and now ask Revolut Ltd to:

- Refund Mr C £1,500 (being the sum of his loss from the fourth payment he made to the fraudsters).
- Pay 8% interest on this amount, from the date of the transactions to the date of settlement.
- Pay Mr C £100 for distress and inconvenience.

My final decision

My final decision is that I uphold this complaint against Revolut Ltd in part.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 30 April 2025.

Stephen Wise
Ombudsman