

## The complaint

Mr R complains that Revolut Ltd won't refund money he lost to a scam.

## What happened

Mr R fell victim to a cryptocurrency investment scam. He came across an advert online for an investment firm – which I'll call C. Mr R had been dabbling in cryptocurrency investment, but with little success, and so decided to enquire further. Mr R says he had looked over C's website, which seemed professional, and had found no negative reviews of C online. So, he left his details with C and was contacted soon after by someone claiming to work for the investment scheme. Mr R was encouraged by what they told him, and opened an account on C's trading platform where he could see what appeared to be live information about his trades. Unfortunately, and unknown to Mr R, the investment opportunity was not legitimate, he was being scammed.

Mr R made payments to the scheme during May 2023. He's said he thought he had made a good profit on these investments and so asked to withdraw his profits, but he was then told he had to pay various fees and taxes to facilitate that withdrawal. Mr R says he questioned this, and was provided with a plausible explanation for why he had to pay, so he made a final payment to the scheme, when he was then told he had to pay even more, he became suspicious, and realised he had been scammed.

Ultimately, Mr R made the following card payments from Revolut to a cryptocurrency account in his name, from where the funds were passed to the scammers:

	Date	Amount
Payment 1	10/05/2023	£1,300
Declined payment	11/05/2023	£1,800
Declined payment	11/05/2023	£1,800
Payment 2	11/05/2023	£1,800
Payment 3	12/05/2023	£2,500
Payment 4	15/05/2023	£2,771
Payment 5	15/05/2023	£2,810
Payment 6	16/05/2023	£2,800

Mr R told Revolut what had happened, but it didn't consider it had any responsibility for his loss. It has said it has no responsibility to prevent scams, but nonetheless also noted that it did not think the payments would have appeared unusual given Mr R's usual account activity, and that the loss had not occurred from Mr R's Revolut account. Revolut also said it had blocked two attempted payments, but that Mr R had unblocked his card and continued with the payments.

Our Investigator upheld the complaint in part. Ultimately, they felt that Revolut should have identified the potential risk by the time of Payment 5, and so provided Mr R with a written warning relating to cryptocurrency investment scams. So, they recommended that Revolut

refund the money Mr K had lost from this payment onwards, they did not consider that any deduction should be made for contributory negligence on Mr R's part.

Revolut disagreed with the investigator's findings. It maintains it should not be liable as the payments were made to a cryptocurrency account in Mr R's own name, it has also questioned whether any other banks intervened in the payment journey prior to the funds reaching Revolut.

As no agreement could be reached, the matter has been escalated to me to determine.

### **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 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 R 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.

In practice Revolut did in some instances refuse or delay payments at the time where it suspected its customer might be at risk of falling victim to a scam.

I 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 May 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;<sup>1</sup>
- 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.

For example, it is my understanding that in May 2023, Revolut, whereby if it identified a scam risk associated with a card payment through its automated systems, could (and sometimes did) initially decline to make that payment, in order to ask some additional questions (for example through its in-app chat).

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)<sup>2</sup>.
- 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

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<sup>1</sup> 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/](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/)

<sup>2</sup> 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.

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 Code<sup>3</sup>, 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 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, as indeed Revolut does in practice (see above).

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 May 2023 that Revolut should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;

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

- 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 and after May 2023, Revolut should in any event have taken these steps.

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

Mr R's Revolut account was opened only a few months before the scam payments, with one of the stated account purposes being selected as 'crypto'. So, Revolut had a limited account history against which to compare the payments Mr R was making and would, in any event, have expected some of those payments to relate to cryptocurrency. In addition, I can see that Mr R did make some small payments to cryptocurrency providers in the months prior to the scam. Bearing this in mind, I don't consider that the first four payments Mr R made to the scam would have been an immediate cause for concern. While I appreciate they were for not insignificant amounts, Mr R had said he would be using the account for cryptocurrency, and had previously done so. Revolut had also taken the step of blocking the second payment Mr R attempted to the scam to check that it was him making the payment, so it would have been reassured that Mr R knew about the payments that were being made from his account.

However, I consider that by the time of the fifth payment to the scam, there were enough potential red flags that Revolut should have taken steps to provide Mr R with some kind of warning about the risks associated with the payments he was making. I say this because the fifth payment came less than half an hour after the fourth payment, taking the total transferred in a short period of time to over £5,000. It was also the fifth payment to a payee associated with cryptocurrency in a relatively short period (four days) with the amounts being sent increasing each time. This pattern of payments is one that Revolut should reasonably have recognised as being potentially indicative of a scam.

I'm aware that cryptocurrency exchanges generally stipulate that the card used to purchase cryptocurrency 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 payments Mr R was making would be to a cryptocurrency wallet held in his name.

But by May 2023, when these transactions took place, 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 of the high street banks had taken steps to either limit their customer's ability to purchase cryptocurrency using their bank 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 across the industry.

So, taking into account all of the above I am satisfied that by the end of 2022, prior to the payments Mr R 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 cryptocurrency, notwithstanding that the payment would often be made to a cryptocurrency wallet in the consumer's own name.

So, bearing in mind the values of these transactions in a relatively short period of time, that they were identifiably to cryptocurrency, and given what Revolut knew about the risks of such payments, I think that the circumstances should have led Revolut to consider that Mr R was at heightened risk of financial harm from fraud by the time of Payment 5. So, 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 R before Payment 5 went ahead.

*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 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, when Mr R attempted to make Payment 5, knowing that the payment was going to a cryptocurrency provider, to have provided a warning (whether automated or in some other form) that was specifically about the risk of cryptocurrency 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 cryptocurrency 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 cryptocurrency scams – cryptocurrency 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 cryptocurrency investment scams. 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 R 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 warning of the type described, would that have prevented the losses Mr R suffered from Payment 5 onwards?*

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. There were several key hallmarks of common cryptocurrency investment scams present in the circumstances of Mr R's payments, such as the investment being advertised on social media, endorsement of the investment by a 'celebrity', and the involvement of a broker who was trading on Mr R's behalf.

I've also seen no indication that Mr R was asked to, or agreed to, disregard any warnings provided by Revolut. Neither do I think that the correspondence I've seen demonstrates a closeness of relationship that Revolut would have found difficult to counter through a warning. And I've seen no evidence that Mr R was provided with any relevant warnings by the firm from which the funds used for the scam originated.

With all this in mind, I'm satisfied that Mr R was not so taken in by the fraudsters that he wouldn't have listened to the advice of Revolut.

Therefore, on the balance of probabilities, had Revolut provided Mr R 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. He could likely have paused and looked more closely into the investment scheme before proceeding, more likely than not revealing the scam and preventing his further losses.

*Is it fair and reasonable for Revolut to be held responsible for Mr R's loss?*

In reaching my decision about what is fair and reasonable, I have taken into account that Revolut was not the start or end point of this scam. Mr R moved his money from another bank, to Revolut, and then on to his cryptocurrency account before ultimately passing it on to the scammer.

But as I've set out in some detail above, I think that Revolut still should have recognised that Mr R might have been at risk of financial harm from fraud when he made Payment 5, and in those circumstances it should have provided him with a relevant warning. If it had taken those steps, I am satisfied it would have prevented the losses Mr R suffered. The fact that the money used to fund the scam came from elsewhere, and wasn't lost at the point it was transferred to Mr R's cryptocurrency account, does not alter that fact and I think Revolut can fairly be held responsible for Mr R'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 R 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 R could instead, or in addition, have sought to complain against those firms. But Mr R 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 R'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 R's loss from Payment 5 onwards.

### *Should Mr R 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.

Having considered the matter carefully, I don't think that there should be any deduction from the amount reimbursed.

Mr R has said he carried out searches for reviews of the investment company, and found nothing to suggest that it was not legitimate. I can see that even now there is little information available online about the supposed investment, so there would have been no clear indication that it was not legitimate at the time. And the scammers appear to have used a name that was associate with an existing legitimate law firm. Mr R has said he saw a professional looking website and trading platform, and that the people he corresponded with seemed knowledgeable. I note that Mr R doesn't appear to have been given any written confirmation of his agreement with the firm, but I don't think that would have been enough to flag to him that he might be at risk, particularly given that an increasingly large number of legitimate accounts for savings and investments are opened up without a signed contract.

Given this background, and bearing in mind that Mr R does not appear to have been a particular experienced investor, I don't think Mr R was partly to blame for what happened here. It follows that I don't consider it fair to say Mr R should bear responsibility for some of his financial loss.

I've also thought about whether Revolut could have done anything to recover the payments Mr R made to the scam. But given that the payments were made to cryptocurrency providers, and Mr R sent that cryptocurrency to the fraudsters, Revolut would not have been able to recover the funds. In addition, I don't consider that a chargeback would have had any prospect of success given there's no dispute that the cryptocurrency exchange provided cryptocurrency to Mr R.

### **Putting things right**

To resolve this complaint Revolut Ltd should:

- Refund Mr R's loss from Payment 5 onwards (inclusive); and
- Pay 8% simple interest per annum on the refunded amount, calculated from the date of each payment to the date of settlement (less any tax properly deductible).

### **My final decision**

I uphold this complaint in part. Revolut Ltd should now put things right in the way I have set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or



reject my decision before 17 April 2025.

Sophie Mitchell  
**Ombudsman**