

The complaint

Mrs I complains that Revolut Ltd didn't do enough to protect her from a scam, and that it hasn't refunded her after she reported what had happened.

What happened

Mrs I had been searching for jobs online in June 2023 and had registered her details on some websites. She was then contacted by someone offering her a job. But, unbeknownst to Mrs I at the time, this was a scammer.

The scammer explained what the job entailed. Mrs I would have to submit reviews for hotels through an online platform and she'd be paid commission for the reviews completed. She was told she could earn between £50 and £100 a day, with an additional bonus of £400 for five days of work completed.

Mrs I was keen and signed up to the company's website and task portal. It was explained to her that she'd need to send funds to the portal in order to generate and satisfy the tasks and that her commission payments would follow, reimbursing what she'd paid in. The payments to the portal had to be made in the form of cryptocurrency.

Mrs I got started with the reviews and started making small payments to generate the tasks. She made eleven small payments to her cryptocurrency wallet between 30 June 2023 and 2 July 2023. The average value of these payments was around £50.

Mrs I was then told she'd been given a special package of tasks which meant sending higher sums, but the understanding was she would earn more commission. So she sent a further three payments on 2 July 2023, with an average value of around £425.

A similar thing then happened again, Mrs I was told she had more tasks to pay for and the amount of funding needed increased again. This led to payments of £1,270.69, £2,390.88, £2,995.42, and £3,466 (payments number 15, 16, 17, and 18 respectively) all also made on 2 July 2023.

Mrs I had been able to make some small withdrawals during the course of the scam, with funds crediting her cryptocurrency wallet before being withdrawn to her Revolut account. But overall, this only equated to £669. Mrs I wasn't able to withdraw any more despite repeated promises from the scammer, and that's when the scam was revealed.

Mrs I told Revolut what had happened and asked for help. Revolut considered the scam claim but said it wouldn't refund any of Mrs I's loss as she'd authorised the payments and it couldn't recover the money. She then referred her complaint to our service as she was unhappy with Revolut's response.

One of our investigator's considered the complaint and recommended it be upheld. He said the spending on Mrs I's account had become unusual to the extent that Revolut ought to have recognised Mrs I was at risk of financial harm through fraud. He said it ought to have intervened to question what was happening and to provide a tailored scam warning. He was

satisfied that, had it done so, Mrs I would have realised she was being scammed and her losses could have been avoided.

Our investigator explained the intervention from Revolut ought to have come in at payment 16. And so he said it was from that point Revolut ought to bear some responsibility for Mrs I's loss. He went on to say Mrs I should still bear some responsibility from that point, given she'd not acted reasonably throughout. On that point, he said the job opportunity had seemed unrealistic in nature and in terms of how commission was supposed to be generated. He also noted Mrs I had had doubts at times but had proceeded anyway, seemingly without taking steps to satisfy herself all was legitimate.

Our investigator's recommendation was then that Mrs I be responsible for the loss up to payment 16. From that point he said responsibility should be shared equally between her and Revolut.

Mrs I accepted the findings. Revolut did not. It said, in summary:

- It shouldn't be held responsible for properly authorised transactions;
- There was no requirement for it to question authorised transactions;
- The funds had originated from outside of Revolut and had also been lost outside of Revolut, so responsibility ought to lie elsewhere.

As an outcome hasn't been agreed the complaint has been passed to me.

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 it for broadly the same reasons as our investigator.

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 Mrs I 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 July 2023 have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances.

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

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

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/

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

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”

- 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 July 2023 that Revolut should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;
- have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer;
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment – (as in practice Revolut sometimes does); and
- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving (including for example the common use of multi-stage fraud by scammers, including the use of payments to cryptocurrency accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.

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

Should Revolut have recognised that Mrs I was at risk of financial harm from fraud?

It's accepted that Mrs I authorised all of the payments here, albeit as part of a cruel scam.

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

I'm aware that cryptocurrency exchanges like the one used here 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 the first payment would be credited to a cryptocurrency wallet held in Mrs I's name.

By July 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. And by July 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 cryptocurrency 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 cryptocurrency 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 cryptocurrency 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 cryptocurrency 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 Mrs I made in July 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.

To be clear, I'm not suggesting as Revolut argues that, as a general principle (under the Consumer Duty or otherwise), 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 cryptocurrency in July 2023 that, in some circumstances, should have caused Revolut to consider transactions to cryptocurrency 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. And as I have explained 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 cryptocurrency, I don't think that the fact most of the payments in this case were going to an account held in Mrs I's own name should have led Revolut to believe there wasn't a risk of fraud.

The early payments made toward the scam were small in value, and so I wouldn't expect Revolut to have questioned them. There will, after all, be many legitimate payments to such wallet providers.

But what can be observed as time goes by is an increasing velocity of payments, especially on 2 July 2023. They become very close together and very rapid. And they also start increasing in value. Those increases are relatively small at first. But by the time payment 16 is made the sums have jumped significantly. And when that increase in value is taken in the context of the other concerning factors, I'm satisfied Revolut ought to have recognised the scam risk.

In making that finding I have taken account Mrs I's other account activity. It's true there are similar value payments made in the preceding months. And sometimes the same account is paid more than once in a day. But given the full context of the scam payments, including they were identifiably going to a crypto provider (and taking note of the risk that carries), I'm satisfied the scam activity ought to have concerned Revolut by payment 16.

What did Revolut do to warn Mrs I?

There's been no suggestion of a warning being given to Mrs I.

What kind of warning should Revolut have provided?

Having thought carefully about the risk payment 16 presented, I think a proportionate response to that risk would be for Revolut to have attempted to establish the circumstances surrounding the payment before allowing it to debit Mrs I's account. I think it should have done this by, for example, directing Mrs I to its in-app chat to discuss the payment further.

I'm not persuaded a written warning would have been the proportionate response here, given the factors I've set out in the previous section. The identifiable risk had become too great, and a greater level of action was required.

Revolut ought to have asked Mrs I a series of questions to establish what the purpose of the payments was. And the establishment of that purpose ought to have gone beyond simply confirming that the payments were going to a cryptocurrency wallet in Mrs I's name. More digging would have been needed.

Once that true purpose was established, Revolut ought to have given a tailored warning about proceeding, highlighting the risks of doing so.

These job/task based scams had been increasing in prevalence by the time Mrs I fell victim. But, even if Revolut didn't have a full and detailed picture of how they worked at 2 July 2023, I'm satisfied it ought to have been able to recognise there was something wrong and that proposition sounded highly unusual and suspicious.

That being the case, it ought to have delivered a very strong warning against proceeding, highlighting the risks of doing so.

If Revolut had provided a warning of the type described, would that have prevented the losses Mrs I suffered from payment 16?

It's clear that Mrs I was regularly engaging with the scammers as she was being presented with new tasks and new costs to pay. But I've seen no evidence to suggest she was ever told to lie to Revolut or withhold the truth about what she was doing. And so it follows that it's more likely than not she would have been honest when asked and I consider it to be more likely than not she would have heeded warnings from Revolut.

It's evident from the conversations with the scammer that Mrs I had started to have her doubts by the time the larger payments were being made. And whilst she did still send

money, she did so without having had the benefit of any warnings from Revolut. I'm satisfied such warnings would have made a difference and she would have stopped what she was doing. I believe that appropriate warnings would have been able to cut through the scammer's deception, even taking account of factors like Mrs I having been able to withdraw small sums previously.

For completeness, I can also confirm that Mrs I received no other relevant warnings for any payments made into her account. There was a potential scam warning from her cryptocurrency provider, but this only highlighted that a recipient wallet was blocked and gave little context as to what that might mean. As such I'm not persuaded the actions of any other party connected to the scam influence the outcome as to whether the scam could have been prevented.

Is it fair and reasonable for Revolut to be held responsible for Mrs I's loss?

In reaching my decision about what is fair and reasonable, I have taken into account that Mrs I purchased cryptocurrency which credited an e-wallet held in her own name, rather than making a payment directly to the fraudsters. So, she remained in control of her money after she made the payments from her Revolut account, notwithstanding what's been said about the scammers use of screen sharing software, and it took further steps before the money was lost to the fraudsters.

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 cryptocurrency) 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.

In reaching my decision, I have taken into account that all payments were made to another financial business (a cryptocurrency exchange) and that some payments that funded the scam were made from other accounts at regulated financial businesses.

But as I've set out in some detail above, I think that Revolut still should have recognised that Mrs I might have been at risk of financial harm from fraud when she made payment 16, and in those circumstances it should have declined the payment and made further enquiries. If it had taken those steps, I am satisfied it would have prevented the losses Mrs I 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 Mrs I's own account does not alter that fact and I think Revolut can fairly be held responsible for Mrs I'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 Mrs I 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 Mrs I could instead, or in addition, have sought to complain against those firms. But Mrs I has not chosen to do that and ultimately, I cannot compel her to. In those circumstances, I can only make an award against Revolut.

I'm also not persuaded it would be fair to reduce Mrs I'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 Mrs I's loss from payment 16 (subject to a deduction for Mrs I's own contribution which I will consider below).

Should Mrs I bear any responsibility for their losses?

Our investigator recommended that Mrs I bear 50% responsibility for her loss from payment 16. She accepted those findings. Revolut hasn't objected to that principle either. And so there's no disagreement as to whether Mrs I ought to bear *some* responsibility. It would not be fair and reasonable for Mrs I's own actions to completely remove Revolut's requirement to refund either. And so I'm satisfied an equal share of responsibility is fair and reasonable.

The key points that bring in Mrs I's partial responsibility were clearly explained by our investigator. The job opportunity ought to have appeared as unusual to the point of suspiciousness, given its characteristics and the need to pay money to earn. I've also taken account of the fact Mrs I did have some doubts and received something of a scam warning from the wallet provider but seems not to have taken any further steps to protect herself at those stages.

Putting things right

On Mrs I's acceptance Revolut must:

- Reimburse 50% of Mrs I's loss from payment 16 onwards (£4,426.15);
- Pay interest on that amount at 8% simple per year, calculated from the date of loss to the date of settlement.

My final decision

I uphold this complaint against Revolut Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs I to accept or reject my decision before 24 April 2025.

Ben Murray
Ombudsman