

The complaint

Miss W complains that Revolut Ltd won't refund the money she lost to a scam.

What happened

The details of this complaint are well known to both parties, so I won't repeat everything again here. However, in brief, Miss W fell victim to a fake job scam after she was contacted on a messaging app – I will call the scammer 'B'.

B told Miss W that she would be paid for completing a number of tasks, but she would also have to pay in funds to the task platform periodically, using cryptocurrency, to unlock more tasks and to receive her salary. Miss W realised she had been scammed when B continued to pressure her to pay more into the platform without allowing her to withdraw her 'salary'.

Miss W made the following payments to the scammer.

Transaction Number	Date	Amount	Type of payment
1	5 October 2023	£60	Card Payment
2	6 October 2023	£90	Card Payment
3	6 October 2023	£695	Card Payment
4	6 October 2023	£1,020	Card Payment
5	6 October 2023	£1,030	Card Payment
6	6 October 2023	£3,650	Card Payment
7	6 October 2023	£2,975	Card Payment

Our investigator upheld the complaint because they thought that Revolut should have intervened during payment 6. She thought that, at this point, had questions been asked about the purpose of the payment, Miss W would have explained that she was trying to send crypto to unlock money she had earned through an online job. Had this happened, she believed that Revolut could have provided a warning that it was likely a scam and therefore stopped Miss W from sending any further payments to the scammer. She also thought that Miss W should share liability for her loss.

Revolut disagreed, and said the following in summary;

- It has no legal duty to prevent fraud and it must comply strictly and promptly with valid payment instructions. It does not need to concern itself with the wisdom of those instructions. This was confirmed in the recent Supreme Court judgement in the case of *Philipp v Barclays Bank UK plc* [2023] UKSC 25.

- There are no legal obligations, regulatory obligations, industry guidance, standards or codes of practice that apply to Revolut that oblige it to refund victims of authorised push payment (“APP”) fraud. By suggesting that it does need to reimburse customers, it says our service is erring in law.
- Our service appears to be treating Revolut as if it were a signatory to the CRM Code.

The Payment Service Regulator’s (“PSR”) mandatory reimbursement scheme will not require it to refund payments where the victim has ignored warnings with gross negligence. Miss W was grossly negligent by ignoring the warnings it gave and failing to carry out sufficient due diligence.

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.

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 the consumer 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*”.

In this respect, section 20 of the terms and conditions said:

“20. When we will refuse or delay a payment

We must refuse to make a payment or delay a payment (including inbound and outbound payments) in the following circumstances:

- *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 the consumer and the Payment Services Regulations to carry out their instructions promptly, except in the circumstances expressly set out in its contract, which included where regulatory requirements meant it needed to carry out further checks.

I am satisfied that, to comply with regulatory requirements (including the Financial Conduct Authority's "Consumer Duty", which requires financial services firms to act to deliver good outcomes for their customers) Revolut should in October 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.

So, Revolut's standard contractual terms produced a result that limited the situations where it could delay or refuse a payment – so far as is relevant to this complaint – to those where applicable regulations demanded that it do so, or that it make further checks before proceeding with the payment. In those cases, it became obliged to refuse or delay the payment. And, I'm satisfied that those regulatory requirements included adhering to the FCA's Consumer Duty.

The Consumer Duty – as I explain below – requires firms to act to deliver good outcomes for consumers.

Whilst the Consumer Duty does not mean that customers will always be protected from bad outcomes, Revolut was required act to avoid foreseeable harm by, for example, operating adequate systems to detect and prevent fraud. The Consumer Duty is therefore an example of a regulatory requirement that could, by virtue of the express terms of the contract and depending on the circumstances, oblige Revolut to refuse or delay a payment notwithstanding the starting position at law described in *Philipp*.

I have taken both the starting position at law and the express terms of Revolut's contract into account when deciding what is fair and reasonable. I am also mindful that in practice, whilst its terms and conditions referred to both refusal and delay, the card payment system rules meant that Revolut could not in practice delay a card payment, it could only decline ('refuse') the payment.

But 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 October 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 do 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.

For example, it is my understanding that in October 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).
- 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.

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/

- The October 2017, BSI Code², 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 Duty³, 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"*⁴.
- Revolut should also have been aware of the increase in multi-stage fraud, particularly involving cryptocurrency⁵ 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 October 2023 that Revolut should:

² BSI: PAS 17271: 2017" Protecting customers from financial harm as result of fraud or financial abuse"

³ 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.

⁴ The Consumer Duty Finalised Guidance FG 22/5 (Paragraph 5.23)

⁵ Keeping abreast of changes in fraudulent practices and responding to these is recognised as key in the battle against financial crime: see, for example, paragraph 4.5 of the BSI Code and PRIN 2A.2.10(4)G.

- 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); 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 October 2023, Revolut should in any event have taken these steps.

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

I think by payment 6 a pattern was emerging which was indicative of someone who was being scammed. Payment 6 was the fifth payment made in the same day and whilst the preceding payments were small in nature multiple payments being made to a cryptocurrency exchange on the same day is commonly a sign that someone is potentially being scammed.

What did Revolut do to warn consumer?

My understanding is that no warnings were provided by Revolut in relation to the payments that were part of the scam. A warning was provided for a transaction not part of the scam in which Miss W sent money to a friend, but this warning related to paying friends and family as this was the purpose of this transaction.

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 primary duty to make payments promptly.

As I've set out above, the FCA's Consumer Duty, which was in force at the time these payments were made, requires firms to act to deliver good outcomes for consumers including acting to avoid foreseeable harm. In practice this includes maintaining adequate systems to detect and prevent scams and to design, test, tailor and monitor the effectiveness of scam warning messages presented to customers.

I'm mindful that firms like Revolut have had warnings in place for some time. It, along with other firms, has developed those warnings to recognise both the importance of identifying the specific scam risk in a payment journey and of ensuring that consumers interact with the warning.

In light of the above, I think that by October 2023, when these payments took place, Revolut should have had systems in place to identify, as far as possible, the actual scam that might be taking place and to provide tailored effective warnings relevant to that scam for both APP and card payments. As I explained earlier in this decision, I understand Revolut did have systems in place to identify scam risks associated with card payments which enabled it to decline payment instructions in order to ask some additional questions and/or provide a warning before allowing a consumer to make a card payment if they decided to proceed with the payment by instructing it again after reading the warning. I also understand in relation to Faster Payments it already had systems in place that enabled it to provide warnings in a manner that is very similar to the process I've described.

I accept that any such system relies on the accuracy of any information provided by the customer and cannot reasonably cover off every circumstance. But I consider a firm should by October 2023, on identifying a heightened scam risk, have taken reasonable steps to attempt to identify the specific scam risk – for example by seeking further information about the nature of the payment to enable it to provide more tailored warnings.

In this case, Revolut knew that the payments were being made to a cryptocurrency provider and its systems ought to have factored that information into the warning it gave. Revolut should also have been mindful that cryptocurrency scams have become increasingly varied over the past few years. Fraudsters have increasingly turned to cryptocurrency as their preferred way of receiving victim's money across a range of different scam types, including 'romance', impersonation and investment scams.

Taking that into account, I am satisfied that, by October 2023, Revolut ought to have attempted to narrow down the potential risk further. I'm satisfied that when Miss W made payment 6, Revolut should – for example by asking a series of automated questions designed to narrow down the type of cryptocurrency related scam risk associated with the payment she was making – have provided a scam warning tailored to the likely cryptocurrency related scam Miss W was at risk from.

In this case, Miss W was falling victim to a 'job scam' – she believed she was making payments in order to receive an income.

As such, I'd have expected Revolut to have asked a series of simple questions in order to establish that this was the risk the payment presented. Once that risk had been established, it should have provided a warning which was tailored to that risk and the answers Miss W gave. I'd expect any such warning to have covered off key features of such a scam, such as making payments to gain employment, being paid for 'clicks', 'likes' or promoting products and having to pay increasingly large sums without being able to withdraw money. I acknowledge that any such warning relies on the customer answering questions honestly and openly, but I've seen nothing to indicate that Miss W wouldn't have done so here.

Revolut states that, as a matter of fact, it cannot delay a card payment – it can either decline or accept the payment. As I've set out, I accept that under the relevant card scheme rules it cannot delay a card payment, but in the circumstances of this case, I think Revolut ought to have initially declined payment 6 to make further enquiries with a view to providing a specific scam warning, of the type I've described. Only after that scam warning had been given, if Miss W renewed the payment, should it have been made.

And as I've set out above (and as Revolut has not disputed) it did have systems in place by October 2023 to decline card payments and provide warnings of a similar nature to the type I've described. So, it could give such a warning and, as a matter of fact, was providing such warnings at the relevant time.

If Revolut had provided a warning of the type described, would that have prevented the losses Miss W suffered from payment 6?

I think that a warning of the type I've described would have identified that Mrs S' circumstances matched an increasingly common type of scam.

I've read the instant message conversation between Mrs S and the fraudsters. That conversation suggests that she already had some concerns about the scheme – she appears to have been concerned about repeatedly being asked to pay to complete tasks. This indicates that it wouldn't have taken much persuasion (that a warning could have provided) to convince her that she was falling victim to a scam prior to making payment 6.

Overall, I think that a warning provided by Revolut would have given the perspective Mrs S needed, reinforcing her own developing concerns and she would more likely than not have concluded that the scheme was not genuine. In those circumstances I think, she's likely to have decided not to go ahead with payment 6, had such a warning been given.

Is it fair and reasonable for Revolut to be held responsible for Miss W's loss?

In reaching my decision about what is fair and reasonable, I have taken into account that Miss W 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, 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 the payments were made to another financial business (a cryptocurrency exchange based in another country) and that the 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 consumer might have been at risk of financial harm from fraud when they made payment 6, 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 consumer 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 consumer's own account does not alter that fact and I think Revolut can fairly be held responsible for consumer'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 consumer 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 consumer could instead, or in addition, have sought to complain against those firms. But consumer has not chosen to do that and ultimately, I cannot compel them to. In those circumstances, I can only make an award against Revolut.

I'm also not persuaded it would be fair to reduce consumer'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 consumer's loss from payment 6 (subject to a deduction for consumer's own contribution which I will consider below).

Should consumer bear any responsibility for their losses?

I've thought about whether Miss W should bear any responsibility for her 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.

I recognise that there were relatively sophisticated aspects to this scam, not least a platform, which was used to access and manage the user's apparent earnings and tasks.

But, at its heart, the scam appears to have been fairly implausible. While I haven't seen and heard everything that Miss W saw, the scammer's explanation for how the scheme worked is implausible and I think Miss W ought reasonably to have questioned whether the activity she was tasked with carrying out (which does not appear to be particularly time-consuming or arduous) could really be capable of generating the returns promised.

Given this, I think she ought reasonably to have had concerns about the legitimacy of the job offered. I also think that there were other things that should have been red flags for Miss W. One of which was the requirement to send funds to acquire the profits she'd supposedly earned.

I also think receiving a job offer, via a mobile messaging service app, should've been seen as unusual to Miss W, and so should have led to her looking more deeply into this job she was apparently being offered. I also can see towards the end of the chats with the scammer she raises concerns that it might be a scam and despite this she then sent the scammer further funds.

So, given the overall implausibility of the scam and Miss W's own apparent recognition of the risk of being continuously asked to pay additional funds, I think she ought to have realised that the scheme wasn't genuine in those circumstances she should bear some responsibility for her losses.

I've concluded, on balance, that it would be fair to reduce the amount Revolut pays Miss W because of her role in what happened. Weighing the fault that I've found on both sides, I think a fair deduction is 50%.

Could Revolut have done anything to recover Miss W's money?

The payments were made by card to a cryptocurrency provider, into an account in her own name. It was only when Miss W sent that cryptocurrency on to the fraudsters did the loss occur. So, 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 Miss W, which she subsequently sent to the fraudsters. So, I don't think Revolut should have done anything more to try and recover Miss W's money.

Putting things right

To resolve this complaint I believe that Revolut Ltd should:

- Refund the payments Miss W lost to the scam from, and including, payment 6, less a deduction of 50% in recognition of Miss W's own contributory negligence towards her loss.
- Pay 8% simple interest per year on this amount, calculated from the date of loss until the date of settlement, minus any applicable tax.

My final decision

I uphold this complaint in part and require Revolut Ltd to put things right in the way I've set out above, in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 20 December 2024.

Charlie Newton
Ombudsman