

The complaint

Ms G is unhappy that Revolut Ltd (Revolut) won't refund the money she lost as the result of a scam.

What happened

The circumstances that led to this complaint are well known to both parties, so I won't repeat them in detail here. But briefly Ms G fell victim to an impersonation scam. On 13 June 2023 Ms G received a call claiming that she hadn't paid taxes. Consequently, Ms G made the following transactions, totalling £5,494.

Date	Time *	Amount	Payee
13 June 2023	10:37	£996	1
13 June 2023	11:03	£1,295	2
13 June 2023	11:07	£1,205	3
13 June 2023	11:29	£1,998	3
13 June 2023	11:33	£1,998	4

The greyed-out payment was attempted but was not completed.

*The timings in the table above are based on Revolut's submissions but Ms G's telephone evidence indicates the transactions occurred an hour later.

Revolut didn't agree to refund Ms G, as it says it produced several warnings which Ms G acknowledged.

Our investigator upheld the complaint in part. She didn't think the initial transactions presented such a risk that she would have expected Revolut to do more than it did. However, by the final transaction she felt there was enough going on to have led Revolut to contact Ms G before processing the payment. She felt if it had done so, it would likely have revealed the scam.

Revolut accepted the investigator's recommendations. Ms G did not. She felt her complaint should be upheld in full. She considered Revolut ought to have noticed the scam from the first payment.

As the case could not be resolved informally, it has been passed to me for a 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.

Ms G has referred to another case which she believes is similar to hers. But each case is judged on its own merits and what may appear (on the face of it) to be a similar set of circumstances, may often transpire not to be the case.

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.

However, 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 June 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 including in relation to card payments);
- 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.

Should Revolut have recognised that Ms G was at risk of financial harm from fraud and, if so what kind of warning should it have provided?

It isn’t in dispute that Ms G has fallen victim to a cruel scam, or that she authorised the payments she made by card (push to card payments).

Whilst we now know the circumstances which led Ms G to make the payments using her newly opened Revolut account and the process by which her money fell into the hands of the fraudster, I am mindful that Revolut had much less information available to it upon which to discern whether any of the payments presented an increased risk that Ms G might be the victim of a scam.

I appreciate in the six months before the scam, the account was generally used to receive and transfer funds of low value. I note these payments were of a higher value than previous transactions. But I am also mindful that there’s a balance to be struck between identifying payments that could potentially be fraudulent and minimising disruption to legitimate payments. Whilst banks and EMIs like Revolut have obligations to be alert to fraud and scams and to act in their customers’ best interests, they can’t reasonably be involved in every transaction.

Each time Ms G set up a new payee Revolut showed the following:

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."

After Ms G acknowledged the initial "Transfer Review" warning, Revolut says it conducted a further real-time fraud risk assessment of the transfer being a transfer to a new beneficiary.

I appreciate it is a lot of money to Ms G, but I don't think the first three transactions warranted any further intervention by Revolut beyond what it did. Whilst the payments were made on the same day and quite close together, there was nothing to link the first three payees with each other and so I don't think sums, or the pattern of transactions would necessarily have raised fraud concerns.

For the second transaction to payee 3, Revolut says, the transaction was held, and Ms G received a set of dynamic educational story messages to warn about the risks associated with this payment and it asked Ms G for the payment purpose and displayed the following warning:

You're at risk of losing money. This payment is suspicious, only proceed if you're sure it isn't a scam.

Revolut says Ms G cancelled this payment before entering the payment purpose, but Ms G does not recall cancelling the payment her end and the evidence Ms G has supplied suggests the payment was 'declined' by Revolut. Either way (for whatever reason), the payment didn't go ahead and given Ms G made another payment just four minutes later for the same amount to another new payee (the fourth new payee in quick succession) Revolut ought to have been concerned about the activity at this stage and done more than it did. I think a proportionate response to that risk would be for Revolut to have attempted to re-establish the circumstances surrounding the payment before allowing it to debit Ms G's account. I think it should have done this by, for example, directing Ms G to its in-app chat to discuss the payment further before processing it.

I don't intend to go in to detail – as Revolut has accepted it could have done more and agreed to refund Ms G's final transaction in full but briefly for completeness I have also considered:

If Revolut had intervened further, would that have prevented the losses Ms G suffered on the final payment?

I have considered whether Revolut's intervention would likely have made a difference. In doing so I've thought about whether Ms G would have revealed that she was being asked to pay fees to HMRC to settle various charges against her. Ms G wasn't given a cover story, so I think she would have answered questions about the payment purpose honestly. And Revolut would have found her responses concerning. I think Revolut missed an opportunity to unearth the scam and bring the key features of an HMRC impersonation scam to life. It could have warned her that HMRC would never ask her make payments in this way or to individual's bank accounts.

I can see no reason for her to have continued to make the payment if she was presented with a warning of this nature. Given that Ms G had no desire to lose her money and nothing to gain from going ahead with the payments, it's more likely than not that she would have stopped, not followed the fraudster's instructions and her loss on the final payment would have been prevented.

Should Ms G bear any responsibility for her losses?

I also don't think that there should be any deduction from the amount reimbursed for contributory negligence. The tactics employed by the fraudsters are common, but nonetheless captivating to anyone unfamiliar with them. Ms G explained she had only moved to the UK in September 2021 and had only started working in May 2023 – a month before the scam. Prior to this she was a student – so would have had no prior contact with HMRC. She was called by a number resembling the number genuinely associated with Courts and Tribunal Judiciary which she verified via the official website. This made the scam seem plausible.

I can see from Ms G's call logs that she was on the phone more or less constantly throughout the duration of the transactions that took place here. I don't think that this gave her the chance to reflect on what she was being told. I appreciate to the trained eye and with the benefit of hindsight, there may have been some 'red flags'. But I have thought carefully about what it is realistic to have expected Ms G to do bearing in mind the pressure she would have been under in the moment of a call like this. Calls like this are designed for the victim not to be able to think rationally.

Overall, Ms G was convinced that she was talking to HMRC and taking action to prevent criminal charges against her, and I don't think her actions fell below the standard expected of a reasonable person.

Recovery of funds

In this case the funds were transferred to international bank accounts as push to card payments. International banks aren't bound by the same rules and regulations as banks within the UK and reliant upon permissions of the beneficiary account holder and the bank choosing to return funds. It can't require or force them to and unfortunately no funds have been returned.

I am upholding this complaint in part. I realise my decision will be a significant disappointment to Ms G. I sympathise with her circumstances, and I am sorry she has fallen victim to a scam and lost so much money. But I think this is the fair and reasonable outcome taking everything into account.

Putting things right

To put things right for Ms G Revolut Ltd should

- Reimburse the final transaction in full – so £1,998
- As Ms G has been deprived of the use of this money - pay interest on the above refund calculated at 8% simple per year * from the date the transaction was made to the date of settlement.

*If Revolut Ltd considers that it's required by HM Revenue & Customs to deduct income tax from the interest award, it should tell Ms G how much it's taken off. It should also provide a tax deduction certificate if Ms G asks for one, so the tax can be reclaimed from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I uphold this complaint in part, and I require Revolut Ltd to put things right for Ms G as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 28 November 2024.

Kathryn Milne
Ombudsman