

The complaint

Mr K complains Revolut Ltd won't reimburse £1,700 he lost when he fell victim to a scam.

What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

On 28 May 2024, while setting up an account with an online marketplace, Mr K received a message asking him to verify his account. He was asked to pay £400 to account details provided in the message and was assured the amount would be immediately returned to him. Mr K made the initial £400 card payment and saw the funds were returned to his account as expected. He was then instructed to make four further payments (£400, £650, £150 and £500), which he was also assured would be returned to him. All four payments were sent to a legitimate money remittance service. Unfortunately, the amounts were not returned, and Mr K realised he'd been the victim of a scam.

Mr K complained to Revolut and asked for its help to recover the funds he had lost. Revolut refused to refund Mr K's losses as it said the payments had been authorised by Mr K, using 3DS, through his Revolut mobile app. It explained the funds also could not be refunded via a chargeback.

Mr K referred his complaint to the Financial Ombudsman. Our investigator didn't uphold the complaint. While she recognised that Mr K had been the victim of a scam, based on what he had told us it was clear he had authorised the payments, although on the understanding he would be reimbursed. Given what Revolut knew about the payments (i.e. the value and destination) our Investigator was not persuaded that it ought to have been concerned that Mr K was at risk of financial harm from fraud. So, she felt it acted reasonably by processing the payment instructions without making further enquiries with Mr K first.

Mr K disagreed and asked for his complaint to be considered by an Ombudsman for a final decision. He considered that he was entitled to a refund because he had been scammed. He also explained the impact the scam had on him, particularly given his personal circumstances.

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.

Before I go on to explain the reasons for my decision, I want to make it clear that there is no doubt that Mr K has been victim of a cruel and calculated scam. There is also no suggestion that Mr K is in any way to blame for what happened to him. Sadly, scams of various types – like this – are extremely widespread. While there are certain obligations on banks and other financial institutions to protect consumers and prevent losses to scams in certain circumstances, these are not absolute. And so, there are unfortunately occasions where a consumer will lose out, through no fault of their own, but have no recourse to a refund.

I would also like to point out that I do not underestimate the impact this scam has had on Mr K's health and wellbeing. I'm extremely sympathetic to the situation and I realise the financial loss he's experienced has affected him greatly. But while I accept Mr K has lost a significant amount of money due to the deception of scammers, I must consider whether Revolut is responsible for the loss he's suffered. I know this won't be the outcome Mr K is hoping for, but for similar reasons to our Investigator, I don't think they are. So, I don't think Revolut has acted unfairly by not refunding the payments. I'll explain why.

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.

In this case it is evident that Mr K authorised the transactions from his Revolut account – while he expected to be reimbursed, from what he has told us he knew funds would be leaving his account and expressly authorised them via 3DS (payer authentication). So, the starting position is that he is liable for them.

But taking into account longstanding regulatory expectations and requirements and what I consider to have been good industry practice at the time, Revolut should, in May 2024, fairly and reasonably have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances. For example, I would expect Revolut to intervene and ask more questions about a payment if the instruction was sufficiently unusual or uncharacteristic for the account.

Ultimately, there is a balance to be struck between identifying payments that could potentially be fraudulent and minimising disruption to legitimate payments.

So, the starting point for me is to consider whether Mr K's payment instructions, taken individually or collectively, were particularly unusual or uncharacteristic, taking account of his usual usage.

I have reviewed Mr K's account history and the payments he made to the scam. Having considered when they were made, their value and who they were made to, I'm not persuaded Revolut ought to have found any of the scam payments suspicious or high risk, such that it ought to have made enquires with Mr K before processing them.

I accept that when viewed collectively, the payments from his account were of a higher value than he routinely made from the account. But I must bear in mind that consumers will on occasion make larger or more frequent payments than usual as part of normal account usage. And so, overall, I don't think these payments were so unusual or of a significant enough value – either individually or collectively – whereby I would've expected Revolut to have identified them as suspicious or high risk.

So, while we know with hindsight that Mr K was sadly falling victim to a scam, I don't think there was enough reason for Revolut to suspect, at the time it received Mr K's payment instructions, that he was falling victim to a scam or was at risk of financial harm.

I've also thought about whether Revolut did enough to recover Mr K's funds once the scam came to light. Revolut initially raised fraud chargeback claims, but on investigation determined they could not be successfully pursued against the merchant as there was evidence Mr K had authorised the payments via 3DS in the Revolut app. In the circumstances, I'm satisfied that there was no prospect of a successful fraud chargeback claim. Similarly, as the payments were made to a legitimate money remittance firm, unconnected to the scam, I don't consider there was any prospect of making a successful chargeback dispute on the grounds that the goods/services hadn't been supplied. There were no other options for Revolut to recover Mr K's funds.

Whilst Mr K has undoubtedly been the victim of a cruel scam, I don't find there were any failings on Revolut's part that would lead me to uphold this complaint.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 25 November 2024.

Lisa De Noronha
Ombudsman