

The complaint

Mr S and Miss S are unhappy that Revolut Ltd decided not to refund them after they were the victims of a scam.

What happened

On 13 August 2024, I issued a provisional decision upholding Mr S's complaint. That decision forms part of the reasoning of this decision

My provisional decision

What happened

Mr S was contacted by someone in October 2022, saying they worked for a firm, I'll refer to as B, who said they could help him retrieve funds (as a result of a deactivated account) from an investment he'd made in 2017. Mr S says he'd initially invested £2,000 in 2017 using a trading platform, which he'd left and forgotten about. When contacted in October 2022 he was told his balance had accrued to £75,000 in Bitcoin (and a few months later had increased to £100,000). In January 2023 Mr S decided to follow up the contact from B about retrieving those funds.

Mr S was told he needed to "convert his Bitcoin" using a crypto wallet account, to withdraw the funds at a cost of £14,000. He installed remote access software onto his PC and followed the instructions from B.

Mr S was also told to set up a new Revolut account, to process the £14,000 payment, which he did on 27 January 2023. On the same day he set up a new payee to a crypto wallet account in his name. He made an initial £10 payment, received a £5 return, and then funded the Revolut account to make a further £14,000 payment. Revolut intervened with this payment. I've set out that intervention below.

Revolut says Mr S would have been presented with a new payee warning which said 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

The payment was initially rejected, Mr S enters a live chat with Revolut and explains he's making a payment to his crypto-currency account provider (C), and he's verified his source of income. Mr S's account is unblocked, and he attempts the payment again.

Mr S then answers a series of questions

Please specify, if in recent weeks you have received: Any suspicious text messages (SMS)/emails with link or authentication codes? Any suspicious calls from anyone claiming to be Revolut or any official bank's representative.

- No suspicious calls or SMS

Please list all devices you have used so far to access your Revolut account (model of mobile

phone, computer applications)

- Use Revolut on my iPhone and no other devices

Do you use any finance managing or shared wallet applications?

- No finance managing or shared wallet apps

Have you recently downloaded any screen sharing application e.g. Any Desk? applications?

- No screen sharing

What is the nature of your account? What is the purpose of it?

- Trading

Mr S then uses the chat feature to discuss the payment with Revolut. I've set the full chat out below. (Revolut chat in italics, Mr S's responses in non-italic text)

I can see that our security system has held your transaction of 14,000.00 GBP to Mr S in pending as we need to perform some further checks on this payment. Please allow me a moment to check the details of this payment. Whilst I am checking some information, please be aware that scammers are using increasingly sophisticated techniques to gather personal information and convince customers to transfer funds in complex scams. They can pretend to be a financial institution, government institutions, trusted online merchants, an exciting investment opportunity or even people you know. They may even contact you by phone or SMS from a number that appears to belong to a trusted source, such as Revolut or another bank. Revolut will NEVER contact you over the phone without verifying ourselves first via the in-app chat. We will also NEVER contact you by SMS to verify ourselves.

We have noticed an emerging fraud trend and so we want to check some further details with you before you transfer your money. If you have been called by any bank claiming that your account is not safe and you need to move your money to another account, stop. They may claim that they have created a new 'safe' account for you to move your money into or they may claim that this is part of a special police / internal fraud investigation. This is a lie and is a tactic which scammers are using to scare you. Be aware that they are able to make it appear that they are calling you from a genuine bank phone number to convince you that they are from that bank. Remember, if you continue to transfer your money to the account details you have been provided, we cannot guarantee that we will be able to recover your money and you risk losing it. Is this / something similar the reason for your transfer? Yes or no?

- No

- I have had the crypto account for over 3 years

Thank you for letting us know. If you are suspicious at all, please let me know and I can help. I will continue with the remainder of the investigation. Have you recently been contacted by anyone unexpectedly on the phone or by text, advising you of a concern and asking you to move money to another account?

- I am not suspicious at all, and I have had this account for a long time and am happy to be working with it

Thanks for clarifying. Please be aware that Revolut will NEVER contact you over the phone without verifying ourselves first via the in-app chat. Fraudsters can spoof phone numbers and SMS messages to make it look like the genuine phone number of Revolut, another bank or Authority. No bank or institution should be guiding you on what to say on chat support. If they are, they are trying to scam you and you should let us know immediately.

*I can see that you have advised that this transfer is for an investment. It is important to take your time before making any investment decisions. Please can you tell me a little more information about this particular investment.
Is the recipient pressuring you to act quickly at risk of missing out on an investment opportunity?*

- I am doing this of my own free will. I have been doing transactions with C through my other bankings

I am very sorry if you are having trouble with this. Could you please answer the question by yes, or no? Thank you.

- No

Thank you for that answer. Have you been promised returns which possibly seem too good to be true, such as doubling your investment in a month or receiving a guaranteed return? Yes or no?

- No

Have you conducted any research, and do you understand what you're investing in?

- Yes

Thank you for that. Have you been contacted or encouraged to invest by someone you don't know or have only met online recently?

- No

Have you been asked to install any apps (such as Any Desk or TeamViewer) or been assisted in setting up an investment account?

- No

Lastly, are you buying cryptocurrency?

- Yes

Thank you for that answer. It is important to only purchase cryptocurrency from a reputable company. Scammers often use tactics to trick you into buying cryptocurrencies from fake websites and investment platforms. Please can you confirm which cryptocurrency exchange provider you are using?

- C is the cryptocurrency platform that I use to buy and hold bitcoins and other crypto

Thank you for providing me with this additional information. It's important that you do your research and proceed with caution before investing your money. Never share details of your investment account with others and never transfer more money in order to access your funds. If you have any concerns, then do not proceed with this investment.

The payment is then processed.

Mr S went on to make a further two payments of £13,500 and £300 on 02 February 2023. Revolut didn't intervene in relation to these payments.

Mr S later realised he'd been scammed when he was asked to keep depositing money into his crypto wallet in order to access his funds. He raised a claim with Revolut. It said it did everything in its power to protect Mr S's account and funds. It says it warned Mr S on several occasions, including asking if the payee account was in Mr S's name. It also asked if it was a trusted beneficiary and warned Mr S that he could potentially be the victim of fraud and ultimately deprived of his funds. It enquired about the purpose of the £14,000 payment and warned Mr S about the possible signals which would indicate he was at risk of being defrauded, based on the answers he provided to its questioning. Revolut said that every answer provided was incorrect and the customer chose to hide the true purpose of the payment. If the answers were accurate and truthful the scam may have been unravelled. Revolut didn't comment on why it didn't intervene with the later payments.

When Revolut was placed on notice of the scam it says it contacted the beneficiary account provided and was told no funds remained.

One of our investigators looked into things. They didn't uphold Mr S's complaint they said:

- *the initial payment of £10 wasn't significant and Revolut didn't need to intervene when it was made*
- *but it did intervene with the £14,000 payment made on the same day. They concluded that despite the intervention Mr S decided to go ahead with the payment.*
- *Revolut didn't need to intervene with the further payments given how Mr S had used the account previously; and*
- *further intervention wouldn't have stopped Mr S from making the payments. Because he had been untruthful when answering Revolut's questions about the £14,000 payment he'd made a few days earlier.*

Mr S's representatives disagreed. It said Revolut's warnings were not sufficient. The new payee warning related to impersonation scams. As Mr S was making payments to a crypto wallet, warnings about investment scams should have been provided. It went on to say the probing and questions from Revolut were also insufficient and Mr S did not lie in response to all of the questions posed to him (as Revolut had concluded). Had Revolut asked questions about how he had found out about the opportunity or if he'd met them in person, then the scam would have been uncovered.

Mr S is seeking full reimbursement of his losses, plus 8% simple interest and £500 in compensation.

As the complaint couldn't be resolved it has been passed to me. I asked further questions of Mr S and his representatives including:

- the source and origin of funds – this has been provided and Miss S has been added to the complaint as a result of this, as the funds came from a business account in her name.
- if either consumer had received any refunds from other banks involved in the payment journey and they have confirmed no refunds have been provided elsewhere.
- if there was any interaction with other banks when making the payments that funded the Revolut account. Both Mr S and Miss S have said they didn't speak or to or receive any warnings when making those payments. I have confirmed this with the banks, it said there were no verbal interactions with any of the payments that resulted in the credits to Mr S's Revolut account. But Mr S received an automated investment warnings when making the payments, all the warnings were a variation of the wording given below:

if you've been cold called out of the blue about an investment opportunity, this is highly likely to be a scam.

Please check the company details thoroughly, including on the Financial Conduct Authorities website ([fca.org.uk](https://www.fca.org.uk)) before transferring any money

If you're at all nervous, please cancel this payment and call us immediately

- evidence of the initial £2,000 he invested in 2017. Mr S hasn't been able to provide this or explain what happened to his funds. But has a provided an email showing he was in correspondence with a broker I'll refer to S. The email contains a link to a broker trading balance, its dated 2019. Mr S says this is evidence of his previous investment.
- Mr S provided the screenshot he received from the scammers showing a balance of £72,212.24 in a Bitcoin account, held with B, with Mr S's name, email address and mobile number, from Nov 2017.
- Whether he could provide account activity on the crypto wallet – this couldn't be provided as Mr S says he can no longer access the crypto wallet. He has provided an email from C, but I'm not persuaded this evidences that he can no longer access the account. The email from C is generic information email and doesn't say Mr S can't access his account, as he claims.
- Questions about Mr S's mindset when making these payments - Mr S said he thought the call was genuine because the caller had all of his information, including that of his previous

investment from 2017. The scammer sent papers and contracts which made it appear legitimate. He thought the scammer was recovering his funds and then agreed to trade on his behalf and that's why he thought he needed make these transfers into his cryptocurrency account.

What I've provisionally 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.

Having done so, I'll start by setting out that I'm satisfied this is a scam. B has an FCA warning dated in June 2023. The warning says fraudsters were using the details of the previously authorised EMD agent in an attempt to deceive consumers into believing they're dealing with the previously authorised EMD agent. And consumers were being targeted using recovery room frauds. Although this warning was issued some-time after Mr S's claim, I'm persuaded this is the scam he fell victim to.

With that in mind, 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.

Having done so, I've provisionally concluded that Revolut is partly liable for Mr S's losses. For the reasons I shall set out below, I am minded to conclude, that whilst Revolut ought to have and did intervene from the second payment of £14,000, its intervention was not proportionate, and it should have provided a written warning specific to cryptocurrency investment scams. If it had done so, I'm satisfied the scam would, more likely than not, have been exposed and the loss Mr S incurred would have been prevented. But I am also satisfied that in the circumstances of this complaint, Mr S should bear some responsibility (50%) for the losses he suffered. That means that I think Revolut should refund Mr S 50% of his losses and I'll explain why.

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 S at the time did expressly require it to

refuse or delay a payment for a number of reasons. Those reasons included “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 Mr S and the Payment Services Regulations to carry out Mr S’s instructions promptly, except in the circumstances set out in its contract, which included where regulatory requirements meant it needed to carry out further checks.

Whether or not Revolut was required to refuse or delay a payment for one of the reasons set out in its contract in Mr S’ case, the basic implied requirement to carry out an instruction promptly did not in any event mean Revolut was required to carry out the payments immediately¹. Revolut could comply with the requirement to carry out payments promptly while still giving fraud warnings, or making further enquiries, prior to making the payment.

And, I am satisfied that, taking into account longstanding regulatory expectations and requirements and what I consider to have been good industry practice at the time, Revolut should in January and February 2023 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 (irrespective of whether it was also required by the express terms of its contract to do so).

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 fraud² requiring consumers to provide additional information about the purpose of
- transactions during the payment authorisation process.
- using the confirmation of payee system; and
- providing increasingly tailored and specific automated warnings, or in some circumstances human intervention, when an increased risk of fraud is identified.

In reaching my conclusions about what Revolut ought fairly and reasonably to have done, 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”.

¹ The Payment Services Regulation 2017 Reg. 86 states that “the payer’s payment service provider must ensure that the amount of the payment transaction is credited to the payee’s payment service provider’s account by the end of the business day following the time of receipt of the payment order” (emphasis added).

² 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/

- 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.

Overall, taking into account the law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider Revolut should fairly and reasonably in January and February 2023:

- 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 financial harm from 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.

Should Revolut have recognised that Ms S was at risk of financial harm from fraud and were the steps it took to warn him sufficient?

³ BSI: PAS 17271: 2017" Protecting customers from financial harm as result of fraud or financial abuse"

It isn't in dispute that Mr S has fallen victim to a cruel scam here, nor that he authorised the disputed payments he made to his account at a cryptocurrency provider (from where her funds were subsequently converted into cryptocurrency and transferred to the scammer). Whilst I have set out in detail in this provisional decision the circumstances which led Mr S to make the payments using his Revolut account and the process by which that money ultimately 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 Mr S might be the victim of a scam.

Mr S' Revolut account was newly opened for the scam, so Revolut had no sense of what typical account activity for him was. I'm also aware that C (which, actually operates two separate entities in the U.K. – one is a regulated EMI, the other is an unregulated cryptocurrency firm – Mr S likely held an account with both) stipulates that the account that is used to fund, and receive payments from, a customer's account must be held in the name of the customer. Revolut would have reasonably been aware of this. So, it could have reasonably assumed that all of the payments in question were being made to an account held in Mr S' own name.

But by January 2023, firms like Revolut had been aware of the risk of multi-stage scams involving cryptocurrency (that is scams involving funds passing through more than one account controlled by the customer before being passed to a fraudster) 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 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 transactions⁴. 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 the vast 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.

So, taking into account all of the above, I am satisfied that, by the end of 2022, prior to the payments Mr S made in January and February 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. In those circumstances, as a matter of what I consider to have been fair and reasonable and good practice, Revolut should have had appropriate systems for making checks and delivering warnings before it processed such payments.

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 the payments in this case were going to an account held in Mr S' own name should have led Revolut to believe there wasn't a risk of fraud.

So, I've gone onto consider, taking into account what Revolut knew about the payments, at what point, if any, it ought to have identified that Mr S might be at a heightened risk of

⁴ See for example, Santander's limit of £1,000 per transaction and £3,000 in any 30-day rolling period introduced in November 2022. NatWest Group, Barclays, Lloyds Banking Group and Santander had all introduced some restrictions on specific cryptocurrency exchanges by August 2021.

fraud.

Should Revolut have identified that Mr S might be at a heightened risk of fraud and was its intervention proportionate in the circumstances?

I'm conscious that the initial payment of £10 was low value so I can't see any reason for Revolut to have been particularly concerned about this payment.

However, the second payment of £14,000 was significantly high in value. As the second payment on the newly opened account the value of the payment has the potential to cause significant financial harm to Mr S. And I consider Revolut ought reasonably to have identified that a significantly high value payment was being made to a cryptocurrency provider on a newly opened account and that could indicate Mr S was at risk of financial harm from fraud. So, when Mr S attempted to make this payment, taking into account what I've said about the increased risk that cryptocurrency transactions presented, I think Revolut ought fairly and reasonably to have recognised the risk and there was a heightened possibility that the transaction linked to a cryptocurrency scam. In line with the good industry practice that I've set out above, I think Revolut should have provided a specific and impactful warning, before allowing this payment to go ahead.

Revolut did intervene with this payment, and I've set out the detail of this interaction in the background to the complaint. Having considered this interaction carefully I don't agree that Mr S answered every question untruthfully or that this prevented the scam from being exposed, as Revolut claims. I don't consider the questioning, intervention and warnings to be proportionate here to the risk presented by the value and nature of the payment being made. And many of the answers Mr S gave on the face of it, reflected the reality of the position he was in. I'll set out my thoughts on the responses Mr S gave to Revolut.

- In Mr S's mind he hadn't received any suspicious calls or texts, he wasn't being pressured to act quickly. After initial contact in September, he didn't decide to take the offer up to reclaim his funds until the January. So, he wasn't being pressured to act quickly from the moment of the initial contact. And this also isn't reflected in the text message chain he's provide either.
- Whilst I think Mr S ought to have considered what he was being offered, in general terms was "too good to be true ", (which I'll comment on later), he wasn't promised this specifically in the context of receiving returns. The questions/warnings by Revolut relate to "doubling an investment in a month or receiving a guaranteed return" – which isn't what is being promised to Mr S. So, I don't think his response was necessarily incorrect here.
- Mr S was asked if he conducted any research, and if he understood what he was investing in? But he wasn't asked any further details about this – for example what research he'd done or what he was actually investing in – all of which would have been proportionate given the value and nature of the payment being made. And simple yes or no answers here don't reflect the nature and purpose of asking those questions in the first instance. They don't allow Mr S the opportunity to either explain what he's doing and why or understand the risks or steps he could have taken to protect himself from this type of scam.
- Mr S was also asked if he'd been contacted or encouraged to invest by someone he didn't know or had only met online recently. When he said no, that reflected the reality of his situation. He'd been contacted direct by what he thought was a genuine company who was claiming to be able to access funds he'd invested years previously. Although the initial cold call was in September he'd been talking over the phone and via text message with the company for a number of months at the time of the first payment. So, I'm not persuaded he wasn't truthful with this answer either as Revolut claims
- He wasn't using a fake platform or fake currencies and was transferring funds via his existing account with C.

- In my view Mr S responds mostly accurately to the very limited and mostly closed questions he's asked, none of which allow Revolut to properly understand the nature and reason for the payment or allow it to really expose the potential for a scam.
- I agree that Mr S wasn't truthful when asked if he'd install any apps (such as Any Desk or TeamViewer) or been assisted in setting up an investment account. When reporting the scam Mr S revealed he had in fact installed a remote access app. Mr S has said he doesn't recall any interaction with Revolut when he made the payment so it's not clear why he responded in the way that he did here. But overall, this is the only question, in my opinion, that Mr S answered untruthfully. And I'm not persuaded it sets a precedent that he wouldn't have answered other, more detailed or open questions, about what he was doing, truthfully.

Whilst there were a variety of warnings presented through the chat between Mr S and Revolut, these are largely focussed on safe account and impersonation scams. Whilst an impersonation element here was relevant, Mr S specifically said he was investing in cryptocurrency. And I think a proportionate warning needed to address the specific risk the payment presented.

The section of the relevant warning that was provided said

It's important that you do your research and proceed with caution before investing your money. Never share details of your investment account with others and never transfer more money in order to access your funds. If you have any concerns, then do not proceed with this investment.

But I'm not persuaded this warning is detailed enough to allow Mr S to take steps to protect himself or understand the nature of how cryptocurrency investment scams might look or feel. To be clear, I'm not suggesting that in January or February 2023 every payment used to purchase cryptocurrency presented such a heightened risk of fraud that Revolut should have warned its customer before processing them. Instead, as I've explained, I think it was a combination of the characteristics of this payment and the circumstances in which the payment was made to a cryptocurrency provider, that ought to have given Revolut sufficient cause for concern that Mr S could be at risk of suffering financial harm from fraud when he attempted to make it. In those circumstances, it should fairly and reasonably have taken additional, proportionate, steps before completing the payment.

I'm also of the opinion the third payment of £13,500, made a few days later, ought to have prompted Revolut to consider Mr S was at risk of financial harm. By the time this payment was made it represents almost £30,000 moving through Mr S's account in the space of a week to a cryptocurrency provider on a newly opened account.

If Revolut had provided a cryptocurrency investment scam warning, would that have prevented the losses Mr S incurred?

I've thought carefully about whether better intervention, open questions and 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, such as an initial cold call offering a too good to be true offer, where an investment from some years previously had increased massively in value, being assisted by a broker and being asked to download remote access software so they could help him forward money to and from his cryptocurrency wallet and being asked to pay money to withdraw or access more funds on a repeated basis.

Although Mr S has provided some evidence of his correspondence with the fraudsters it appears some of those conversations took place over the phone (so I haven't been able to listen to them). But I've seen nothing to suggest that Mr S was asked, or agreed to disregard any warnings provided by Revolut. I've also contacted Mr S's and Ms D's bank account providers to find out whether any warnings were provided at the time the funds debited those accounts. Both confirmed no warnings were provided.

At the point Mr S made this payment he'd seen a trading account and the balance with the promised returns, and some paperwork. But I haven't seen sufficient compelling evidence that Mr S was so taken in by the fraudsters that he would have disregarded a clear and specific warning.

Mr S received automated warnings from a different bank, prior to making the payments from his Revolut account. When making those payments Mr S received a generic online warning about investments. The warning wasn't impactful or specific and so I'm not persuaded has any bearing on whether better questioning and intervention by Revolut would have made a difference – which I've concluded it would have.

Overall, on the balance of probabilities, had Revolut provided Mr S 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 have paused and looked more closely into what was being promised before proceeding, as well as making further enquiries into cryptocurrency scams. I'm satisfied that a timely warning to Mr S from Revolut would have very likely caused him to have sufficient doubt to not go ahead with the payments.

Is it fair and reasonable for Revolut to be held responsible for some of Mr S' loss?

In reaching my decision about what is fair and reasonable, I have taken into account that Mr S paid money using his Revolut account to another account in his own name, rather than directly to the fraudster, so he remained in control of his money after he made the payments, and there were further steps before the money was lost to the scammer. And that the payments that funded the scam were made from other accounts at regulated financial businesses (though some of those accounts were not held in Mr S' name).

I have carefully considered general 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.

But as I've set out above, I think that Revolut still should have recognised that Mr S might have been at risk of financial harm from fraud when he made these payments, and in those circumstances Revolut should have made further enquiries about the payment before processing it. If it had done that, I am satisfied it would have prevented the losses Mr S 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 S' own account does not alter that fact and I think Revolut can fairly be held responsible for Mr 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 S 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 S could instead, or in addition, have sought to complain against those firms. But Mr S has not chosen to do that and ultimately, I cannot compel them to. In those circumstances, I can only make an award against Revolut. However, for the reasons I have set out above, 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 S' losses (apart from the initial £10 payment), subject to a deduction for Mr S' own contribution towards his loss. As I have explained, the potential for multi-stage scams, particularly those involving cryptocurrency, ought to have been well known to Revolut. And as a matter of good practice, I consider it fair and reasonable that Revolut should have been on the look-out for payments presenting an additional scam risk including those involving multi-stage scams.

I have also taken into account that the £14,000 was made to a regulated business, and Mr S might potentially have a claim against the cryptocurrency provider in respect of its actions (although it is not

a party to this complaint and so I make no finding about its role here). The same is true of the account providers of the origin of the money that funded the scam.

So, I'm satisfied Revolut should fairly and reasonably have provided a better warning or made further enquiries before processing any further payments. If it had, it is more likely than not that the scam would have been exposed and Mr S would not have lost any more money. In those circumstances I am satisfied it is fair to hold Revolut responsible for some of Mr S' loss.

Should Mr S bear any responsibility for his loss?

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.

I recognise that, as a layman, there were aspects to the scam that would have appeared convincing. Mr S was contacted by what he thought was a genuine company and didn't realise it was fraudsters impersonating that company. He said they had information about an investment payment he'd made years previously and provided him with access to an account which showed the balance the fraudsters said he was due to receive.

So, I've taken that into account when deciding whether it would be fair for the reimbursement due to Mr S to be reduced. I think it should be.

I'm concerned that Mr S was told his £2,000 investment had turned into £75,000 by September 2022, and had increased again, to £100,000, by January 2023. But Mr S hasn't provided an explanation for why he thought his funds had increased by this amount or what had happened to the funds between 2017 and 2022, to persuade him that what he was being promised was genuine. Mr S hasn't said why he thought the account with B would be linked to the original investment, other than the account was in his name. Or why these funds were now available, but he hadn't been able to locate or access them previously. I think these claims should reasonably have put Mr S on notice that something might not have been right, and he should have made further enquiries, certainly before making the payments of £14,000 and £13,500.

I'm not aware that Mr S carried out any checks on the company that had contacted him. If he had, he would have found that B (the genuine company) was an FCA authorised firm at the time. And I'm not persuaded Mr S would have uncovered he was dealing with a cloned firm. All of which would have been convincing. But once Mr S was, or should have been, on notice that the returns being offered were too good to be true, I think that he should have made further enquiries that would have likely led him to realise that the offer wasn't genuine. Mr S doesn't appear to have made any enquiries with the initial investment provider or account linked to that investment.

Mr S was told he would have all his money in a matter of minutes after making the initial payment. But when this didn't materialise, he was convinced to pay a further £13,800. Mr S hasn't provided a great deal of detail about what he was told or the discussions that took place. I can see in the text messages that Mr S questions what he's being told and says the figures he's sent in the report are not the same as those he can see on the app. And the fraudsters also suggest further investments with high returns in less than six months which Mr S indicates he's interested in. Again, it's not clear how this unfolds given the limitations of the recorded conversations and Mr S's lack of detail about what was discussed over the phone. And from what he has described I'm not persuaded it was clear why he needed to pay a further large sum of money when the previous payment hadn't resulted in any returns being paid to him as promised. And so, at the time of making this second large payment Mr S also ought to have been concerned about what he was being asked to do. Ultimately Mr S paid a considerable sum on the basis of an unrealistic return on his original investment. Taking all of the above into account I think that Revolut can fairly reduce the amount it pays to Mr S because of his 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 else to recover Mr S' money?

I've also thought about whether Revolut could have done more to recover the funds after Mr S reported the fraud.

Most of the payments were sent to Mr S' own account, converted into cryptocurrency and then sent to the fraudster. I can see that all of the money was paid away in cryptocurrency, so no recovery would have been possible. So, I don't think there was anything more Revolut could've done to recover Mr S' money in these circumstances.

Compensation

Although Mr S is seeking a compensation payment, I'm not minded to make one here. Although I'm now persuaded that Revolut ought to be liable for Mr S's losses in part I appreciate that it did initially consider his claim carefully before reaching its decision, although I disagree with the outcome it came to.

Mr S's distress here has been caused by the scammers and not, in my opinion, exacerbated by Revolut's actions so I'm not recommending an additional compensation payment. Mr S has referenced an indemnity for any legal costs, but he hasn't provided any evidence of those, and I've not seen that Mr S couldn't have brought the claim to Revolut by himself, rather that he chose to use a professional representative at a cost.

I make no further compensatory or cost award here.

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.

I have carefully reconsidered all the available evidence and arguments in light of Revolut's further submissions. However, for the reasons that follow, I'm not persuaded to revise my provisional decision.

Proportionate intervention

As I've already set out in my provisional decision, I don't agree that the intervention by Revolut here was proportionate. Given that, at the time Mr S made these payments, in January and February 2023, Revolut ought to have been aware of the risk of multi-stage scams involving cryptocurrency. And there could be an increased risk of fraud when using Revolut's services to purchase cryptocurrency.

This was a new account and Mr S was making high value payments to a cryptocurrency. Revolut also ought to be aware that consumers are coached and given cover stories. So with those things in mind, I'm not persuaded Revolut's questions and warnings here reflected the risk the transactions presented.

I've already covered this in the final decision, but I don't agree that all of Mr S's responses were untruthful. I won't repeat my findings here, but Revolut seems to have overlooked those points entirely in its response. When you put into context what Mr S thought he was doing and the limited scope in which Revolut asked its questions, I don't agree he lied or gave incorrect answers to all of the questions asked. Revolut hasn't engaged in any of the points I've made about this in my provisional decision.

Revolut's liability

Revolut has also argued that it should not be held liable for Mr S's entire losses and says all financial institutions involved in the payment journey should be considered at the same time.

Again, I covered these points in my provisional decision but Revolut hasn't engaged in the points I made. In my provisional decision I said

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 S' own account does not alter that fact and I think Revolut can fairly be held responsible for Mr 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 S 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 S could instead, or in addition, have sought to complain against those firms. But Mr S has not chosen to do that and ultimately, I cannot compel them to. In those circumstances, I can only make an award against Revolut.

Those points still stand and Revolut's denial that it should be held liable without all financial institutions being involved, does not change my findings as set out in my provisional decision. And I'm not recommending that Revolut refund Mr S's losses in full. I have set out that Mr S should also bear responsibility for his losses and have therefore recommended a 50% refund and not a full refund.

Putting things right

I now direct Revolut Ltd to pay Mr S and Miss S the following:

- Refund 50% of Mr S and Miss S's losses (minus the first payment of £10); and
- Pay 8% simple interest per year on that amount from the date of each payment to the date of settlement.
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My final decision

For the reasons set out above and before in the provisional decision, it remains my decision that Mr S and Miss S's complaint with Revolut Ltd be upheld in part.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S and Miss S to accept or reject my decision before 6 November 2024.

Sophia Smith
Ombudsman