

## The complaint

Miss C complains that Revolut Ltd won't refund her the money she lost after she fell victim to an Authorised Push Payment ('APP') scam.

## What happened

The background to this complaint is well known to both parties, so I won't repeat it in detail here. But in summary I understand it to be as follows.

In January 2023, Miss C fell victim to an impersonation scam. She received a call from somebody purporting to be from the Supreme Court, telling her that some bank accounts had been linked to her permits and visa and were associated with money laundering. But unknown to her at the time Miss C was talking to fraudsters.

The fraudsters called Miss C from a 'spoofed' Supreme Court number. They told her that she needed to close her Revolut account and transfer her money to a digital wallet that was owned by the Supreme Court. It was explained to Miss C that, once all the money had been transferred, she would be issued with a new permit and visa and a new Revolut account would be created to return her money to her.

Miss C has said that she had some doubts, but thought the caller was genuine after checking the number she was called from online and seeing that it was a genuine Supreme Court number. Miss C has said she was further persuaded as the fraudsters knew personal information about her.

Miss C added that when the scam took place it was a difficult time for her. She had just come out of a relationship and had learned, the day before, that her father was suffering from a terminal illness. She's said the fraudsters were shouting at her and pressuring her to cooperate.

Believing things to be genuine, Miss C followed the instructions she was given. A list of the transactions Miss C made/attempted from her Revolut account are detailed below (the transactions that successfully reached accounts controlled by the fraudsters are numbered);

	25 January 2023 @ 10:39	£400 (payment declined)
	25 January 2023 @ 10:48	£460 (payment declined)
	25 January 2023 @ 10:54	£460 (payment declined)
1.	25 January 2023 @ 11:07	crypto withdrawal 0.025 BTC
2.	25 January 2023 @ 11:20	£1,900 faster payment
3.	25 January 2023 @ 11:35	£1,980 faster payment
	25 January 2023 @ 11:54	£2,000 (payment failed)
	25 January 2023 @ 11:58	£2,000 (payment failed)
	25 January 2023 @ 11:59	£1,850 (payment failed)
4.	25 January 2023 @ 12:04	£1,850 faster payment
5.	25 January 2023 @ 12:21	£1,950 faster payment

Miss C realised she'd been scammed when, while she was on the phone, a friend visited her and asked what was happening. They called the same number that Miss C was on the phone to and realised Miss C was talking to fraudsters.

Miss C raised the matter with Revolut, who looked into things but declined to refund her the money that she had lost. In summary, Revolut said it had provided Miss C with scam warnings which she had chosen to ignore. It added that it didn't believe that it was at fault and had acted on best practises. Revolut did make attempts to recover the money Miss C had sent from the beneficiary banks (the banks to which the money was sent) and it was able to recover £1,464.20, which was returned to Miss C on 21 March 2023.

Unhappy with Revolut's response, Miss C brought her complaint to this service. One of our Investigators looked into things and thought the complaint should be upheld in part. In summary, it was our Investigator's view that at the point Miss C was making the payment to the fraudsters, for £1,900 on 25 January 2023 at 11:20, there was enough going on that Revolut ought to have done more than it did.

Our Investigator recognised that Revolut had put the payment to pending, enquired about the purpose, and warned Miss C about common scam types, but they didn't feel that went far enough. This was because Miss C had selected that the purpose of her payment was 'safe account'.

It was our Investigator's belief that this should have compelled Revolut to engage directly with Miss C (such as through its in-app chat) to question her further about the payments. Our Investigator said that if it had done so, there was no reason to doubt that Miss C wouldn't have been truthful about why she was making the payments, and the scam would have come to light and further losses would have been prevented.

Our Investigator also thought about whether Miss C had acted reasonably in the circumstances, and they thought she had. Overall, our Investigator thought Revolut should refund Miss C her losses from the second payment that was successfully made to the fraudster onwards, along with interest. Our Investigator said that Revolut should deduct the amount recovered.

Miss C accepted our Investigator's view. But Revolut disagreed, in summary it said;

- It believed its fraud prevention measures were active at each stage of the transaction and that Miss C was sufficiently warned by its security systems to avoid monetary loss.
- Miss C was clearly warned and informed that the recipient's bank had confirmed the name entered was not the name on the account.
- It asked Miss C to double check and only continue if they were sure the recipient was trustworthy – and that this should have been a red flag for Miss C.
- Miss C was making payments to individuals, rather than to a digital wallet that she was told she'd be paying, which should also have been a red flag.
- It considered Miss C had lied to it and didn't believe any further intervention would have made a difference.

Revolut suggested that a compromise would be for liability to be split in this case and for Miss C to receive 50% of the amount lost from the second successful payment onwards, less the funds retrieved and for 8% interest to be applied to the amount.

Miss C didn't accept Revolut's offer. Our Investigator considered the points Revolut had made and responded to say that, given Revolut's experience in these matters, an

appropriate action from Revolut would have been human intervention (before allowing the payment to be made). Our Investigator added that Miss C had been honest about the purpose for sending this money ('safe account transfer') and this was an indication that she wasn't hiding the truth. Our Investigator thought that had appropriate questioning been conducted the scam would have been uncovered and overall their view remained unchanged.

Revolut continued to disagree with our Investigator's view. I have summarised the main points it raised below;

- This service is permitted to depart from the law, but where we do we should explain that we have done so and explain why. If we apply the law or legal duties, we should apply it correctly and if we err in law, we are susceptible to judicial review on the grounds of error in law in relation to our identification of what the law is (as well as perversity and irrationality).
- Revolut is bound by contract, applicable regulations and common law to execute valid payment instructions. The duty is strict and there are only limited exceptions. Revolut referred to specific terms in its terms and conditions and went on to say that although the relationship between a payment service provider (like Revolut) and a customer is one of contract, such contracts are performed in a heavily regulated legal environment. The most significant legislation is the Payment Services Regulations 2017 which impose obligations to execute authorised payments promptly. By suggesting that it needs to reimburse customers, it says our service is erring in law.
- This service has overstated Revolut's obligations. Revolut recognises its obligations and has put adequate procedures in place. But the duty is not absolute and doesn't require Revolut to detect and prevent all fraud.
- It does not need to concern itself with the wisdom or potential for financial loss of a customer's payment instructions. This was confirmed in the recent Supreme Court judgement in the case of *Philipp v Barclays Bank UK plc* [2023] UKSC 25.
- Our service appears to be treating Revolut as if it were a signatory to the Contingent Reimbursement Model Code.
- The Payment Service Regulator's ("PSR") future mandatory reimbursement scheme will not require it to refund payments made in these circumstances either.
- Revolut gave appropriate warnings which were negligently ignored by Miss C.

As no agreement could be reached, the complaint has been passed to me for a final 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.

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 Miss C 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*".

So Revolut was required by the implied terms of its contract with Miss C and the Payment Services Regulations to carry out their 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, the basic implied requirement to carry out an instruction promptly did not in any event mean Revolut was required to carry out the payments immediately<sup>1</sup>. 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 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 fraud;<sup>2</sup>

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<sup>1</sup> The Payment Services Regulation 2017 Reg. 86(1) 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).

- 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.

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)<sup>3</sup>.
- Over the years, the FCA, and its predecessor the FSA, have published a series of publications setting out non-exhaustive examples of good and poor practice found when reviewing measures taken by firms to counter financial crime, including various iterations of the *“Financial crime: a guide for firms”*.
- Regulated firms are required to comply with legal and regulatory anti-money laundering and countering the financing of terrorism requirements. Those requirements include maintaining proportionate and risk-sensitive policies and procedures to identify, assess and manage money laundering risk – for example through customer due-diligence measures and the ongoing monitoring of the business relationship (including through the scrutiny of transactions undertaken throughout the course of the relationship). I do not suggest that Revolut ought to have had concerns about money laundering or financing terrorism here, but I nevertheless consider these requirements to be relevant to the consideration of Revolut’s obligation to monitor its customer’s accounts and scrutinise transactions.
- The October 2017, BSI Code<sup>4</sup>, 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).

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 January 2023 that Revolut should:

- have been monitoring accounts and any payments made or received to counter

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<sup>2</sup> 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/>

<sup>3</sup> Since 31 July 2023 under the FCA’s new Consumer Duty package of measures, banks and other regulated firms must act to deliver good outcomes for customers (Principle 12), but the circumstances of this complaint pre-date the Consumer Duty and so it does not apply.

<sup>4</sup> BSI: PAS 17271: 2017” Protecting customers from financial harm as result of fraud or financial abuse”

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).

*Should Revolut have recognised that Miss C was at risk of financial harm from fraud?*

Having considered the first payment of the scam that successfully reached an account controlled by the fraudsters (the crypto withdrawal), on balance, I can't fairly say that it would have appeared as so unusual or suspicious in comparison to Miss C's usual activity, that it ought to have alerted Revolut that she may have been at risk of financial harm.

However, I'm persuaded that there were a number of unusual factors about the second payment Miss C successfully made to the fraudster. Importantly, Miss C had selected 'safe account transfer' as the purpose of the payment which, as Revolut will know as professionals in these matters, is highly indicative of fraud and ought to have led to it having concerns that its customer may have been at serious risk of financial harm.

Added to this, shortly before this payment, Miss C had made three unsuccessful attempts to make payments to three different payees. And Revolut has confirmed that the payee details for this successful payment didn't match those of the genuine account holder. These factors, along with the unusual frequency and value of the payments Miss C was attempting to make were indicative of a scam. So I consider Revolut, at this point, ought reasonably to have taken additional steps before processing it.

Once an agent of Revolut looked into the transaction Miss C sought to make, they would also be able to see that the reference was Miss C's full name, which is also consistent with an impersonation scam.

It is evident that Revolut did put the payment instructions to 'pending'— which I think supports that the payments were flagged as suspicious and as bearing a risk to Miss C of financial harm through fraud.

*What did Revolut do to warn Miss C?*

When Miss C set up the new payee, she was provided with confirmation that the recipient's bank had confirmed the name she entered wasn't the name on the account (confirmation of payee no match). The message advised Miss C to double check the details and only continue if the recipient was trustworthy. Miss C proceeded and was provided with a new payee warning which said;

*"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."*

Revolut say that in this case the payment was held and could not proceed unless Miss C first engaged in a 'payment purpose review'. Miss C was asked for the purpose of the payment and selected 'Transfer to a 'Safe Account'. Miss C was presented with a warning saying;

*"This transfer can be a scam. Our system identified this transfer as suspicious and put it to pending. Your transfer is riskier than 99.2% of all Revolut transfers".*

Miss C was provided with a warning tailored to the payment reason chosen and Revolut presented a number of other screens which included information, such as educational stories which warned that victims lose millions of pounds a year to bank transfer scams and that fraudsters are professionals. It provided information to say that fraudsters can fake phone numbers to make it look like a genuine phone number of an organisation or authority and that Revolut and other banks would never tell a customer to move money into a safe account. The screens also presented Miss C with the opportunity to get advice.

*What kind of warning should Revolut have provided?*

Given the risk factors I have referred to above, Revolut should not have processed Miss C's payment request until it was satisfied she wasn't at risk of financial harm. When given a choice of payment reasons Miss C chose payment to a safe account. So Revolut was on notice that she was likely falling victim to a scam. And other factors were consistent with a heightened risk, including the no match confirmation of payee results, multiple payment attempts to new payees within quick succession and for values that exceeded the typical activity on Miss C's account.

Considering what Revolut knew about the transaction Miss C was making, and what it ought to know about how scams of this nature unfold, I'm not satisfied that the on-screen warnings it provided went far enough. Put simply, I don't consider Revolut should have processed the payment until it had taken appropriate steps to satisfy itself that Miss C wasn't at risk of financial harm.

It could have done this by directing Miss C to its in-app chat to discuss the payment further or by calling Miss C (after completing its usual verification).

*If Revolut had provided a warning of the type described, would that have prevented the losses Miss C suffered?*

As I have said above, there were multiple features that strongly indicated Miss C was falling victim to an impersonation scam. If Revolut had communicated with Miss C via chat or telephone and asked a specific question about why she was transferring a large sum from her account, I'm persuaded she'd have provided honest answers and the scam would have been uncovered.

Miss C wasn't given a cover story and, when asked for a payment reason, said she was transferring funds to a safe account – which indicates to me that she wasn't trying to hide the reasons for making the payments. I'm also mindful here that Miss C did have some doubts and so I don't think it would have taken much for Revolut to have compounded these doubts and to have quickly uncovered that Miss C was in the process of being scammed. I appreciate that Miss C had lengthy calls with the scammers so Revolut may not have been able to speak to her immediately. But if the payment remained blocked Miss C would have needed to contact Revolut to discuss it, and the PSRs allow enough time for this to happen.

Revolut has argued that we are applying the provisions of the CRM Code to complaints against it, despite it not being a signatory. I have no intention of treating Revolut as if it were a signatory to the CRM Code. I've explained in some detail the basis on which I think, fairly

and reasonably, Revolut ought to have identified that Miss C was likely at risk of financial harm from fraud, and the steps it should have taken before allowing the payment to leave her account.

Overall, I'm satisfied that Revolut should fairly and reasonably have intervened further and established why Miss C chose the safe account payment reason. If it had done so, I'm persuaded it is more likely than not that the scam would have been exposed and Miss C would not have lost funds from her Revolut account. In those circumstances I am satisfied it is fair to hold Revolut responsible for some of the loss.

#### *Should Miss C bear any responsibility for their losses?*

I've thought about whether Miss C 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 including taking into account Miss C's own actions and responsibility for the losses she has suffered.

I don't think Miss C's actions, or inactions, fell below the standard expected of a reasonable person. Unfortunately, Miss C fell victim to a highly sophisticated and well-orchestrated scam. As with many scams of this type, the fraudsters employed an array of tactics, including spoofed telephone numbers, which can often prove a very powerful deception to convince a customer.

I'm also mindful that Miss C didn't approach things with a complete disregard for risk. She checked the number she was being called from was genuine and while at times she had her own doubts, I don't think it was unreasonable for her to move on given the reassurances that she was given.

Miss C has explained that she spent a long time on the phone to the fraudster. The fraudster had created an environment where Miss C thought she had to act quickly to protect herself from having her permit and visa taken away and the concern that she may be arrested if she did not do what she was instructed to. With the benefit of hindsight and the removal of the pressured environment, it's easier to identify elements where Miss C may have had an opportunity to ask further questions. But the convincing nature of these scams can often have a negative effect on a person's thought process and make them take steps that, in the cold light of day, they might not otherwise take.

Overall, I don't think there should be a deduction to the amount reimbursed. Miss C clearly didn't want to lose her money. Her actions cannot be explained by carelessness or personal gain. There's little other explanation than that she believed what she was told by some very sophisticated fraudsters and in the circumstances I don't find her belief to be unreasonable.

#### *Could Revolut have done anymore to recover Miss C's money?*

Finally, I've considered whether Revolut acted reasonably in attempting to recover Miss C's funds.

I've seen Revolut did make attempts to recover the money Miss C had sent from the beneficiary banks and it was able to recover £1,464.20. Sadly, it is quite typical with these types of scams for fraudsters to move money away from the beneficiary accounts, straight after the payments are made, presumably to frustrate the efforts at this type of recovery.

From the evidence I've seen I don't think Revolut has missed an opportunity to recover any more of the money that Miss C had lost.



### **Putting things right**

Overall and with all things considered, for the reasons explained above, my decision is that I uphold this complaint in part and now ask Revolut Ltd to:

- Refund Miss C £6,215.80 (being the sum of the second successful, and subsequent success payments that Miss C made to the fraudsters, less the amount recovered)
- Pay 8% interest on this amount, from the date of the transactions to the date of settlement.

### **My final decision**

My final decision is that I uphold this complaint against Revolut Ltd in part.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 17 March 2025.

Stephen Wise  
**Ombudsman**