

The complaint

Mr M complains that Revolut Ltd won't refund the money he lost when he fell victim to an impersonation scam.

What happened

In January 2024, Mr M received a phone call. The caller told Mr M his account with an online retailer was being used fraudulently. Mr M explains that he was able to see transactions for electrical goods totalling around £2,500 in the basket. Mr M panicked. He explains he thought the call was genuine because the caller knew his details, went through security processes and was calling from a phone number that he recognised as being from the area where the retailer is based. The caller told Mr M they could help him to get a refund, so he followed the instructions he was given, including downloading software enabling the caller to remotely access his device. Unfortunately, Mr M wasn't speaking to the genuine retailer, he was really speaking to fraudsters.

Mr M sent over £11,000 to the fraudsters from three of his accounts. The other two financial businesses refunded the money Mr M lost in full, but Revolut declined his claim for a refund. Mr M complained.

In February 2024 Revolut issued its final response. It said it was unable to refund Mr M because scam prevention measures had been in place. It said it provided scam warnings and took steps to protect him. Unhappy with Revolut's position, Mr M referred the complaint to us.

Our Investigator looked into the situation, but did not uphold the complaint. He thought the transactions Mr M was making became concerning, and that they followed a payment pattern common in many types of scam. He suggested that by payment four a pattern of unusual transactions had begun to emerge and so Revolut should have gone further than providing warnings by bringing Mr M into an in-app chat to ask specific questions about the purpose of these payments. But he wasn't persuaded it would have uncovered the scam and prevented further loss. He highlighted that Mr M had provided misleading answers in response to Revolut's warnings, and he noted that Mr M was heavily under the instruction of fraudsters. He thought the fraudsters would have advised Mr M what to say even if Revolut had asked further tailored questions during an in-app chat. He made extensive enquiries with the businesses that received Mr M's money and confirmed that only £2.03 remained to be recovered by the time the scam was reported to Revolut.

Mr M didn't agree and asked for an Ombudsman to review this complaint. He said it would be a fair outcome if Revolut would refund him from payment four onwards. He explained he was in vulnerable circumstances at the time of the scam and felt Revolut did not act with appropriate levels of care. He said Revolut should have phoned him or opened a direct chat. Mr M says he would have explained what was happening and his worry at losing thousands of pounds to what he thought was legitimate contact from a retailer about unauthorised purchases. He asked how the Investigator could assume that he would have still sent the payments if Revolut had put in place the proper protections. He said that at the point of failure, Revolut should become responsible for the loss.

Our Investigator explained that he has to reach an outcome based on the circumstances of an individual complaint, taking into account the rules and guidance that apply at the time. He explained that Revolut is not a signatory to the Lending Standards Board's Contingent Reimbursement Model Code, so he is unable to apply its provisions around vulnerability to situations where the Code does not apply.

As no agreement could be reached, the complaint has been referred to me.

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 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 2017 and the terms and conditions of the customer's account. But, taking into account relevant law, regulatory 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 2024 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;
- have acted to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring all aspects of its products, including the contractual terms, enabled it to do so;
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment
- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving (including for example the common use of multistage fraud by fraudsters) and the different risks these can present to consumers, when deciding whether to intervene.

On spotting such a payment, I'd expect Revolut to take steps to protect its customer from the risk of financial harm due to fraud. Those steps needed to be proportionate to the risk presented by the payment and strike a balance between protecting customers from fraud and not unduly inconveniencing them.

Mr M had held a Revolut account for a number of years and typically used it when he was abroad, so the transactions that he was making on that day soon stood out as being out of character and unusual for him. He was making multiple payments for similar amounts to different payees, which was different to how the account would normally run. Whilst this change in account activity wouldn't have been apparent to Revolut immediately, there definitely came a point at which an intervention was necessary. I also think the risk would have been sufficiently clear to Revolut that its intervention couldn't be a written warning. Mr M suggests that Revolut should have called him. However, Revolut is an EMI and

operates differently to a high street bank which may have a call centre. Mr M should have been directed to interact with Revolut via the chat function in its app.

This did not happen here and so I'm persuaded Revolut did something wrong. However, this doesn't automatically mean Revolut needs to refund Mr M. I can't ask that it do so unless I can reasonably conclude that its error was the cause of his loss. To reach a conclusion on this point, I need to consider what would have more likely than not happened if it had handled things differently. Whilst I think that a proportionate response to the risk would have been for Revolut to have intervened and ask further and more probing questions, had it done so, I'm not persuaded that would have prevented Mr M's loss. I'll explain why.

Mr M says that he would have been receptive to Revolut's intervention, and he would have responded to relevant, contextualised questions. I can't know for certain what would have happened if Revolut had intervened then. It is known now, with the benefit of hindsight, that Mr M had been targeted by fraudsters, but neither Mr M nor Revolut knew that at the time the payments were being made.

If Revolut had taken additional steps and questioned Mr M at the time, I'm not convinced that he would have said enough to alert Revolut to what was really going on. Revolut did provide warnings for each of the payments Mr M made. But the answers Mr M gave to Revolut's questions impaired its ability to protect him from the scam because he did not answer the questions correctly.

Mr M repeatedly told Revolut he was not being assisted through the questionnaire, that he was transferring funds to another one of his accounts and that he had not installed any software onto his device. But none of this information was correct. Mr M was under the instruction of a fraudster, the funds were not going to another one of his accounts and he had downloaded the specific piece of software highlighted in Revolut's warning.

I have thought carefully about the environment created by fraudsters and how Mr M was being coached. But I am not persuaded that he would have attached much significance to any additional information had Revolut provided it. I am mindful that the fraudsters had remote access to Mr M's device and would be able to see everything that he could see. I think it is more likely than not that the fraudsters would have been able to influence Mr M's actions. The evidence compels me to believe that Mr M was likely so convinced by the fraudsters in that moment that he would still have wanted to proceed. I think it's reasonable to conclude that the fraudsters would've likely provided the answers necessary to reassure Revolut that Mr M was making the payments for legitimate reasons. Given the information Mr M provided to Revolut in response to its warnings, I consider it to be very unlikely that any further questions would have led him to reveal what was happening.

For completeness, I've thought about whether Revolut could have recovered the money Mr M lost once it was clear that he'd been the victim of a scam. But the evidence our Investigator obtained from the recipient firms confirms that only a few pounds remained.

I am sorry to have to disappoint Mr M. I don't say any of this to downplay or diminish the fact that he has fallen victim to sophisticated and targeted scam and lost a significant sum of money as a result. I can appreciate why he wants to do all he can to recover the money he lost. However, I have to remember that it's not Revolut who has stolen this money from Mr M – it was a fraudster. I can only hold Revolut liable for the losses Mr M has suffered if I can be persuaded from the evidence that its errors had a material impact on the losses he suffered. The fact that other financial businesses have refunded Mr M in full does not obligate Revolut to do the same. For the reasons I have explained above, I am not persuaded Revolut could have prevented his loss. It follows that I cannot fairly and reasonably require Revolut to refund Mr M.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 28 January 2025.

Claire Marsh
Ombudsman