

The complaint

Mr H complains that Revolut Ltd ('Revolut') won't refund the money he lost when he fell victim to a scam.

What happened

Mr H says that in November 2022 he was looking at a sports news website when he found an article about a company I'll refer to as P in this decision. Mr H didn't know at the time, but P was a scam investment company. P offered opportunities to invest in cryptocurrency.

After completing some research Mr H decided to invest with P. He paid a sign-up fee from an external bank account and received an email to say that his account had been verified. Mr H was able to sign into P's platform. Soon after, Mr H received a call from a representative of P who said he would be his account manager. The account manager agreed to trade for Mr H using funds from his bank account.

In mid-November Mr H was contacted by a different representative of P who said the initial account manager was ill and he would be taking over as Mr H's account manager. He also explained that he was a senior trader. This account manager communicated with Mr H regularly by phone, email, and messages to update him on the progress of his investment.

Mr H was advised to open an account with Revolut to make payments more easily. He did so on 14 November 2022 and transferred funds from a sole account and a joint account with his bank to Revolut before making payments in connection with the scam investment.

Mr H made his first payment in early January 2023 and shortly afterwards it appeared in his trading account. A few days later the scammer advised Mr H of an exciting new opportunity involving an initial public offer for a space technology company. Mr H made three payments on 13 January 2023 in respect of this investment opportunity. In March 2023 he made an additional payment.

Mr H was able to see his profits increase. In April 2023 he enquired about withdrawing his funds. He was advised that he would need to pay Capital Gains Tax ('CGT') to release the funds. Mr H paid the tax on 27 April 2023. Then in May 2023 Mr H was advised that given the amount he was withdrawing he was required to pay an additional 25% CGT. After receiving an invoice, Mr H paid this additional amount in May 2023.

Mr H made the following transactions from his Revolut account to the account of an individual. He was told that this person dealt with transfers in the UK.

Transaction	Date	Amount
1	06/01/23	£15.56
2	13/01/23	£6,999.54
3	13/02/23	£24,997.49
4	13/02/23	£45,008.44
5	30/03/23	£6,499.64

6	27/04/23	£19,488.65
7	10/05/23	£74,999.54
Total		£178,008.86

Mr H was told his funds were being processed but was then asked to pay further fees. He was concerned and completed some additional research. At this stage, Mr H saw negative reviews of P which stated it was a scam. He notified Revolut via its chat function on 19 May 2023.

Revolut didn't agree to reimburse Mr H. It said Mr H had authorised the transactions and it provided appropriate warnings. Revolut also said it had tried to recover Mr H's funds but hadn't been successful in doing so.

Mr H was unhappy with Revolut's response and brought a complaint to this service. He said Revolut didn't do enough to protect him when the payments were made.

Our investigation so far

The investigator who considered this complaint recommended that it should be upheld from payment three onwards. She said that at this stage Revolut should have intervened and asked questions about the purpose of the payment. Had it done so, the investigator thought the scam would have been uncovered and Mr H's further loss prevented.

Whilst the investigator didn't consider that Mr H should bear any responsibility for payments three and four, she felt the position changed for the final three payments when Mr H was repeatedly asked to make further payments. The investigator said that liability for these transactions should be split between Mr H, Revolut and Mr H's bank (from where he transferred funds to his newly opened Revolut account).

Revolut didn't agree with the investigator's findings, so Mr H's case was passed to me to decide. In summary, Revolut said:

- It could find very little information about P at the time Mr H made payments, so Revolut questioned what research he completed. Cryptocurrency is highly volatile and speculative and carries a greater responsibility to complete research before investing. And, given Mr H's professional background, it's reasonable to expect a higher degree of financial knowledge than the average person which should lead to greater research.
- Given the duration of the scam and the number of transactions involved Mr H had the opportunity to verify the legitimacy of the investment and seek advice. There were negative reviews about P from 26 February 2023, so if Mr H had completed research he could have minimised his loss.
- In his chat with Revolut, Mr H said he was coached by the scammer and received pressure calls so invested more. Given this, intervention by Revolut wouldn't have made a difference, particularly as Mr H chose the goods and services payment option – which inhibited Revolut's ability to intervene effectively.
- Mr H should have realised the rate of return offered was unrealistic and asked questions when asked to pay an individual's account in Asia. Mr H should be held liable for payments three to six.

Mr H said that no deductions should be made to take account of his own actions.

The complaint was passed to me to decide. I intended to reach a different outcome to the investigator so issued a provisional decision on 5 March 2025. In the 'What I have provisionally decided – and why' section of my provisional decision I said:

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 Mr H 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 Mr H 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 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

¹ 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).

should 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;²*
- 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)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”.*
- 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 Code⁴, 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*

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/

³ 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.

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

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 early 2023 that Revolut should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;*
- have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer;*
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment – (as in practice Revolut sometimes does).*

Should Revolut have recognised that Mr H was at risk of financial harm from fraud?

It isn't in dispute that Mr H has fallen victim to a cruel scam here, nor that he authorised the disputed payments.

Taking into account what Revolut knew about the payments, I've thought about at what point, if any, it ought to have identified that Mr H might be at a heightened risk of fraud.

Mr H's Revolut account was opened on 14 November 2022. The account opening reason he provided to Revolut was to make transfers. With the exception of a small number of low value transactions, Mr H's account was only used for the purpose of the scam transactions, so I recognise that Revolut didn't have much information about Mr H's usual payments. The first transaction was very low in value and wouldn't have caused any concern.

Payment two was significantly greater in value so I think Revolut ought reasonably to have recognised a risk of harm. I think a proportionate response to the risk posed by this payment would have been to provide a written warning tailored to the scam risk identified. Mr H said the payment was for goods and services, so I think Revolut needed to provide a warning tailored to this payment reason. I don't consider a warning of this nature would have prevented Mr H's loss.

But by the time Mr H sought to make payment three, I consider that Revolut ought reasonably to have had concerns that he was at significant risk of financial harm. The value of the transaction was much greater than for any previous transaction on the account and a concerning pattern of increasing payments had emerged.

Overall, I'm satisfied that Revolut should have identified that payment three carried a heightened risk of financial harm and should have taken additional steps before allowing it to debit Mr H's account.

What did Revolut do to warn Mr H?

Revolut says that when Mr H made the first payment to J it provided him with a warning that 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.”

The new payee warning is very general in nature and it’s difficult to see how it would resonate with Mr H given the circumstances of this complaint, the fact he trusted his account managers and no impersonation was involved. The warning also doesn’t require any interaction or real engagement from Mr H and, in my view, lacks sufficient context to have been impactful in the circumstances of this case.

Revolut also completed a review of payment two and held it. Mr H was presented with screens which explained that victims of scams lose millions of pounds each year and set out the importance of completing research, as once funds have been received by a fraudster, they are difficult to get back. A further screen said that fraudsters are professionals. Mr H was then asked to choose a payment reason from a list provided by Revolut.

“This transfer could be a scam

Our system identified the transfer as suspicious so we moved it to ‘pending’

Your transfer has a higher risk score than

99.2%

of all Revolut transfers”

Mr H chose the paying for goods or services payment option and was provided with warnings which were tailored to this payment reason (which covered price, payment method and the need to complete research).

I consider that this warning was proportionate to the risk posed by payment two and that Revolut didn’t need to go any further. But, as I have explained above, I’m not satisfied Revolut went far enough when Mr H made payment three.

What kind of warning should Revolut have provided?

As I’ve said above, I think Revolut acted reasonably in providing written warnings when Mr H made payment two.

I’ve thought carefully about what a proportionate warning in light of the risk presented would have been when Mr H made payment three. In doing so, I’ve taken into account that many payments that look very similar to this one will be entirely genuine. I’ve given due consideration to Revolut’s duty to make payments promptly, as well as what I consider to have been good industry practice at the time this payment was made.

When Mr H attempted to make transaction three, I think Revolut ought fairly and reasonably to have recognised there was a heightened possibility that the transaction was linked to a

scam. In line with the good industry practice that I've set out above, I think a proportionate response to that risk would have been for Revolut to have attempted to establish the circumstances surrounding the payment before allowing it to debit Mr H's account. I think it should have done this by, for example, directing Mr H to its in-app chat to discuss the payment further or by discussing it with him. I consider Revolut ought to have asked Mr H questions to understand the reason for the payment, the type of research he had completed and why he was paying for goods and services by bank transfer.

If Revolut had provided a warning of the type described, would that have prevented the losses Mr H suffered from payment three?

Revolut didn't intervene at this point, so I need to decide what's most likely to have happened if it had done so, based on the available evidence.

When Revolut asked Mr H to provide a reason for payment two he chose the buying goods and services option, even though he could have chosen investment. Having looked at the messages Mr H exchanged with the scammers on 13 February 2023 it's clear that the scammer said he would explain in a phone call the options Mr H had. The scammer and Mr H then had a call during which Mr H sent screenshots of Revolut's payment reasons to the scammer. Later that day, Mr H told the scammer that he had transferred funds from his bank account to Revolut. The scammer provided Mr H with payment information which included goods and services as the payment reason. The message advised Mr H to message the scammer before making the payment and if there was no response he knew the 'drill'.

When Mr H reported the scam to Revolut he said that the scammer "talked me through all your security and transfer procedures to send the money" and that they "basically coached me through it".

In the circumstances, I consider it to be more likely than not that Mr H wouldn't have told Revolut he was investing but would have followed the scammer's advice and provided an alternative reason for making the payment which tied in with the goods and services payment reason Mr H had been advised to provide to Revolut (and which he provided for the previous transaction).

Mr H was paying the account of an individual in Asia, so I think Revolut ought reasonably to have asked probing questions to understand why Mr H was paying such significant amounts to this individual for goods and services. Whatever responses Mr H gave, I think Revolut should have asked him if anyone was guiding him in how to answer its questions and gone on to advise that if this was happening, Mr H was being scammed and he would lose his money. On balance, I think this warning would have resonated with Mr H and led him to reconsider the investment opportunity that he had been offered by P.

I appreciate that Mr H's bank spoke to him when he transferred funds from this bank to Revolut prior to payment four. In that call, Mr H's bank didn't establish the reason for the payment, other than that it was going to Revolut. Mr H's bank also didn't provide scam warnings. So, I think that from this point liability should be shared between Mr H's bank and Revolut. I must also consider whether Mr H should share responsibility (see below) to determine the exact liability split.

Overall, I consider that if Revolut had taken the steps I think it should have done, the scam would have been uncovered and Mr H's further loss prevented.

Should Mr H bear any responsibility for his losses from payment three onwards?

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 Mr H says he had access to a platform and that this would have reassured him. But I consider that Mr H's actions fell below the standards expected of a reasonable person and so he should share liability for his loss from payment three.

Mr H says he looked at reviews of P on a well-known website before deciding to invest. I have looked at the same website and can see one positive review dated before Mr H started to invest (in August 2022). After that the reviews are negative, including reviews in September and October 2022, and in January 2023 before Mr H invested. And by 30 January 2023 the financial advisor Mr H was in contact with was specifically named in a negative review.

Mr H's representative said he was taken through a 'Know Your Customer' process as would be expected. But having looked at the messages, it's clear Mr H was simply asked to provide ID and proof of address to approve a transfer. So I'm not persuaded he was taken through a KYC process.

I'm also mindful that Mr H wasn't provided with terms of business or a contract of any kind as I'd expect of a genuine investment company. He was provided with emails that didn't include P's company details (such as address) and which weren't particularly professional. There was also no reference to how P was regulated.

It's clear from the emails and messages Mr H exchanged with the representative of P that he was advised of huge and unrealistic rates of return. For example, on 22 December 2022 Mr H was told of 84% returns in the first quarter thanks to P's experts, on 11 January 2023 of a potential return of over 40%, and on 30 January 2023 P said most investors had not only doubled but almost trebled their accounts.

Although Mr H thought he was dealing with P, he paid the personal account of an individual in another country. I think this was a clear red flag that something wasn't right, whether Mr H had previous investment experience or not. The explanation he was given, that this individual deals with UK transfers, wasn't satisfactory.

As time went on and Mr H was asked to make substantial payments to withdraw his funds, including a payment for tax before his profits were released, I consider Mr H ought reasonably to have been sceptical and taken additional steps to verify the legitimacy of what he was told.

I'm also mindful that Mr H expressed concerns but continued to make payments. In January 2023 he referred to the goalposts being moved and by 26 April he asked for reassurances that there weren't going to be any more costs. He was subsequently asked to pay a further amount.

Overall, I'm satisfied that Mr H should share responsibility for his loss.

Liability split

Bearing in mind that I have provisionally determined that Mr H's bank should share liability for some payments I will set out how I consider liability should be split between the parties.

I consider that only Mr H and Revolut are responsible for payment 3 so Revolut should reimburse £12,498.75.

From payment four onwards, liability should be split between Revolut, Mr H's bank and Mr H. So Revolut should reimburse Mr H £48,665.42.

Responses to my provisional decision

Revolut let me know that it had nothing further to add.

Mr H said that no deduction should be made for contributory negligence for the following reasons:

- He looked up reviews of a company with a similar name to P and thought it was the same company as both related to investment.
- Mr H is not an investment expert, and the scam was sophisticated in nature.
- His expectation of an 84% return for the year was influenced by the significant increase in the value of cryptocurrency at that time and in the period before.
- It was a sophisticated scam.

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.

Having done so, my decision is the same as my provisional decision, and for the same reasons (which I have reproduced above).

Neither party has raised any points for me to consider in respect of the interventions I set out in my provisional decision or the impact of those interventions, so I'll only cover them briefly here. Whilst Revolut should have provided a written warning tailored to the payment reason it was given in respect of payment two (goods and services), this wouldn't have prevented Mr H's loss. When payment three was made Revolut should have asked Mr H questions about it, at which point I think the scam would have unravelled.

I turn now to the points Mr H has raised about whether a deduction should be applied to take account of his actions. I don't intend to cause additional distress to Mr H, but I need to be fair to both parties.

I recognise that Mr H wasn't an experienced investor and certainly don't expect him to have the same knowledge as Revolut. But he paid the account of an individual when he thought he was dealing with a genuine investment company, which I think ought to have raised serious red flags. And I don't consider Mr H was given a satisfactory explanation for this. Added to this, Mr H didn't receive documentation as I would expect from a reputable company, and the rate of return discussed was too good to be true.

Other factors contribute to my conclusion that it is fair to apply a deduction in this case. The kind of returns offered by P's account manager were too good to be true and emails didn't include P's company details. As time went on, Mr H was asked to make substantial payments before funds could be withdrawn. Mr H was also advised to mislead Revolut, which ought to have caused concern.

Mr H says he looked at reviews of a company with a similar name to P which was legitimate. I have looked at the reviews, which are mixed. The scam company Mr H thought he was dealing with had a one-word name that ended in an 's'. The legitimate company name included two words, and didn't end with an 's'. It was also a cryptocurrency exchange.

It is the combination of these factors that lead me to conclude that Mr H should be held partly responsible for his loss.

Revolut took reasonable steps to recover Mr H's funds but was unsuccessful.

Overall, I'm satisfied that liability should be split as follows:

Payment 3

Mr H and Revolut are responsible for payment 3 so Revolut should reimburse £12,498.75.

Payment 4 onwards

From payment four onwards, liability should be split between Revolut, Mr H's bank and Mr H. So Revolut should reimburse Mr H £48,665.42.

As Mr H has been deprived of these funds, interest should be paid from the dates of loss as set out below.

My final decision

For the reasons stated, I uphold this complaint and require Revolut to:

- Pay Mr H £61,164.17; and
- Pay interest on the above amount at the rate of 8% simple per year from the date of each transaction to the date of settlement.

If Revolut Ltd considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr H how much it has taken off. It should also give Mr H a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 17 April 2025.

Jay Hadfield
Ombudsman