

The complaint

Mr M complains Revolut Ltd (Revolut) won't refund the money he lost to a scam.

What happened

Around May 2023, Mr M saw an advert online for a company, F, claiming to offer cryptocurrency trading. He decided to invest with them. Unfortunately, F were operating a scam.

The scammers directed Mr M to set up an account with Revolut, which he used to purchase cryptocurrency from a legitimate cryptocurrency exchange, "M", and then send it on to what he believed was his own trading account. Here are the payments he sent to the scam:

| Date and time | Payment type | Merchant | Amount |
|-------------------|--------------|----------|---------|
| 01/05/2023, 11:52 | Card payment | M | £250 |
| 04/05/2023, 11:22 | Card payment | M | £999.99 |
| 04/05/2023, 11:23 | Card payment | M | £999 |
| 12/06/2023, 10:52 | Card payment | M | £7,000 |

Mr M says he realised F were a scam when he wasn't able to withdraw from the trading platform. He asked Revolut to refund him, but it didn't agree. He referred his complaint about Revolut to our service – arguing it failed to identify, and warn him about, the risk the payments were being lost to a scam.

Our investigator upheld Mr M's complaint. She didn't think Revolut had cause to be concerned about the first three payments. But she thought it should have warned him about cryptocurrency scams when he made the final payment – and that this would likely have prevented him from proceeding. The investigator thought Mr M also held some blame, so recommended Revolut should refund 50% of that payment.

Mr M accepted this outcome but Revolut didn't. In summary it says:

- It has no legal duty to prevent fraud or scams, and it must comply strictly and promptly with valid payment instructions. As confirmed in the Supreme Court judgement in the case of Philipp v Barclays Bank UK plc [2023] UKSC 25, it does not need to concern itself with the wisdom of those instructions.
- There are no legal obligations, regulatory obligations, industry guidance, standards or codes of practice that apply to Revolut that oblige it to refund victims of authorised push payment ("APP") fraud. By suggesting it does need to reimburse customers, it says our service is erring in law.
- The loss didn't take place from Mr M's Revolut account, but from the account he held with M, a cryptocurrency exchange. It is unfair and irrational to hold it liable for the loss when it only acted as an intermediary.

- No reimbursement code/rules apply to these payments. In any event, self-to-self transactions are excluded even when those rules would otherwise apply.

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 (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 M modified the starting position described in *Philipp*, by – among other things – 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"* (section 20).

So Revolut was required by the terms of its contract to refuse payments in certain circumstances, including to comply with regulatory requirements such as the Financial Conduct Authority's Principle for Businesses 6, which required financial services firms to pay due regard to the interests of their customers and treat them fairly. I am satisfied that paying due regard to the interests of its customers and treating them fairly meant Revolut should have been on the look-out for the possibility of fraud and refused card payments in some circumstances to carry out further checks.

In practice Revolut did in some instances refuse or delay payments at the time where it suspected its customer might be at risk of falling victim to a scam.

I must also take into account that the basis on which I am required to decide complaints is broader than the simple application of contractual terms and the regulatory requirements referenced in those contractual terms. I must determine the complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case (DISP 3.6.1R) taking into account the considerations set out at DISP 3.6.4R.

Whilst the relevant regulations and law (including the law of contract) are both things I must take into account in deciding this complaint, I'm also obliged to take into account regulator's guidance and standards, relevant codes of practice and, where appropriate, what I consider to have been good industry practice at the relevant time: see DISP 3.6.4R. So, in addition to taking into account the legal position created by Revolut's standard contractual terms, I also must have regard to these other matters in reaching my decision.

Looking at what is fair and reasonable on the basis set out at DISP 3.6.4R, I consider that Revolut should in May and June 2023 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.

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 did in fact seek to take those steps, often by:

- using algorithms to identify transactions presenting an increased risk of fraud;¹
- 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.

For example, it is my understanding that in May and June 2023, Revolut, whereby if it identified a scam risk associated with a card payment through its automated systems, could (and sometimes did) initially decline to make that payment, in order to ask some additional questions (for example through its in-app chat).

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)².
- 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

¹ 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/

² 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.

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.
- The main card networks, Visa and Mastercard, don't allow for a delay between receipt of a payment instruction and its acceptance: the card issuer has to choose straight away whether to accept or refuse the payment. They also place certain restrictions on their card issuers' right to decline payment instructions. The essential effect of these restrictions is to prevent indiscriminate refusal of whole classes of transaction, such as by location. The network rules did not, however, prevent card issuers from declining particular payment instructions from a customer, based on a perceived risk of fraud that arose from that customer's pattern of usage. So it was open to Revolut to decline card payments where it suspected fraud, as indeed Revolut does in practice (see above).

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 May and June 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;

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

- 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.

Whilst I am required to take into account the matters set out at DISP 3.6.4R when deciding what is fair and reasonable, I am satisfied that to comply with the regulatory requirements that were in place in May and June 2023, Revolut should in any event have taken these steps.

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

I am mindful that, at the time of processing these payments, Revolut knew much less than we do now about the circumstances of these payments – to discern whether there was an increased risk Mr M might be falling victim to a scam. However, by the time of these payments, firms like Revolut had been aware of the risk of multi-stage scams involving cryptocurrency for some time.

I'm also aware that most cryptocurrency exchanges generally stipulate that the card used to purchase cryptocurrency at its exchange be held in the name of the account holder. Revolut would have been aware of this fact. So, it could reasonably have deduced that Mr M's payments were being sent to accounts in his name.

However, 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 scams 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. But by May 2023 (when the scam transactions started), 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 transactions. This left a smaller number of payment service providers, including Revolut, that allowed customers to use their accounts to purchase cryptocurrency with few restrictions.

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 a significant 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, a fact that Revolut is aware of.

So, taking into account all of the above, I am satisfied 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 their 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 this into account, I've gone on to consider whether Revolut should have identified any of these payments as presenting a heightened risk of fraud.

I don't think Revolut had cause to suspect fraud from the outset. I think it should have identified that the payments were going to a cryptocurrency provider. But for those payments made in May 2023, I don't think their value or overall character meant Revolut should reasonably have suspected they were part of a scam. That's also bearing in mind that the account was newly opened, so Revolut didn't have much insight into what account activity was 'typical' for Mr M.

However, the scam payment made in June 2023 was more than seven times larger than the previous individual payments. While I appreciate Mr M had a history of paying M by this point, I think the significant escalation in the value of the payment, as well as what Revolut knew about its destination, meant it should have led Revolut to conclude Mr M was at heightened risk from fraud at this point.

What did Revolut do to warn Mr M and what should it have done?

Revolut didn't issue any warnings to Mr M about the payments he was sending to the scam.

As I think Revolut should have identified a risk when Mr M made the payment in June 2023, I've thought carefully about what a proportionate warning would be in these circumstances. 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.

Taking that into account, I think Revolut ought, when Mr M attempted to make the June 2023 payment, knowing the payment was going to a cryptocurrency provider, to have provided a warning (whether automated or in some other form) that was specifically about the risk of cryptocurrency scams, given how prevalent they had become by the end of 2022. In doing so, I recognise that it would be difficult for such a warning to cover off every permutation and variation of cryptocurrency scam, without significantly losing impact.

So, at this point in time, I think that such a warning should have addressed the key risks and features of the most common cryptocurrency scams – cryptocurrency investment scams. The warning Revolut ought fairly and reasonably to have provided should have highlighted, in clear and understandable terms, the key features of common cryptocurrency investment scams, for example referring to: an advertisement on social media, promoted by a celebrity or public figure; an 'account manager', 'broker' or 'trader' acting on their behalf; the use of remote access software; and a small initial deposit which quickly increases in value.

I recognise that a warning of that kind could not have covered off all scenarios. But I think it would have been a proportionate way for Revolut to minimise the risk of financial harm to Mr M by covering the key features of scams affecting many customers but not imposing a level of friction disproportionate to the risk the payment presented.

If Revolut had provided a cryptocurrency investment scam warning, would that have prevented the loss Mr M incurred from that payment?

I've thought carefully about whether a specific warning covering off the key features of cryptocurrency investment scams would have likely prevented any further loss in this case. On balance, I think it would have done.

There were several key hallmarks of common cryptocurrency investment scams present in the scam Mr M fell victim to. He found the investment company advertised on social media, promoted by a public figure. And the scammers also used remote access software to help him set up the cryptocurrency wallets. So, I think a proportionate warning about the common scam risks connected to cryptocurrency payments would have struck him as relevant to what he was doing.

I haven't seen any information which leads me to think Mr M would have disregarded a warning of this nature. For example, looking at his contact with two other firms from whom he made/attempted payments in connection with this scam (such as to top up his Revolut account), it doesn't appear either warned him about the risks of cryptocurrency investment scams – so he wasn't already on notice of this risk. He also reported the scam to one of the firms shortly after the July 2023 payment – suggesting he was open to considering the possibility this was a scam at the time.

On the balance of probabilities, if Revolut had provided Mr M 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 M – and I think this would have led him to discover further concerning information about them, revealing the scam and preventing further losses.

Is it fair and reasonable for Revolut to be held responsible for Mr M's loss?

In reaching my decision about what is fair and reasonable, I have taken into account that Mr M purchased cryptocurrency which credited his wallet, rather than making a payment directly to the scammer. So, he remained in control of the money after he made the payments from his Revolut account, and it took further steps before the money was lost to the scammer. I have also taken into account that the payments which funded the scam were made from other accounts Mr M held with regulated financial businesses.

I have carefully considered 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 in some detail above, I think that Revolut still should have recognised that Mr M might have been at risk of financial harm from fraud when he made the June 2023 payment. In those circumstances, it should have declined the payment and made further enquiries. If it had taken those steps, I am satisfied it would have prevented the loss Mr M suffered. The fact that the money used to fund the scam came from elsewhere and/or wasn't lost at the point it was transferred to Mr M's own account does not alter that fact and I think Revolut can fairly be held responsible for his 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 M has only complained about Revolut. I accept 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 M could instead, or in addition, have sought to complain against those firms. But he has not chosen to do that and ultimately, I cannot compel him to. In those circumstances, I can only make an award against Revolut.

I'm also not persuaded it would be fair to reduce Mr M's compensation in circumstances where: he has only complained about one respondent from which he is entitled to recover his losses; has not complained against any other firms (and so is unlikely to recover any amounts apportioned to them); and where it is appropriate to hold a business such as Revolut responsible (that could have prevented the loss and is responsible for failing to do so). That isn't, to my mind, wrong in law or irrational but reflects the facts of the case and my view of the fair and reasonable position.

Ultimately, 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 consumer's loss from the final scam payment (subject to a deduction for Mr M's own contribution which I will consider below).

Should Mr M bear any responsibility for his losses?

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 there were some relatively sophisticated aspects to the scam, such as the provision of a fake trading platform which Mr M says appeared to mirror the markets. However, I'm conscious he has also told me he thought the money he invested in May 2025 (just over £2,000) had built up to £35,000 – which would mean it significantly exceeded how the markets were performing.

I'm also conscious the £7,000 payment, which I think Revolut could have prevented, was funded by a loan taken out three days before the payment. Mr M says this was taken out for home improvements, specifically to repair his roof. But as his investment was doing so well, he decided to instead put it towards the trading, and was planning to use his returns to fund the repairs.

Mr M has provided records of some issues with his roof, and of paying around £1,200 in cash in May 2023 for related repairs. But this was around one month before the loan was taken out. He hasn't been able to show, for example, that he subsequently got a quotation of works totalling a further £7,000 – to explain why he took out that amount specifically.

I can't ignore that the loan amount (and timing) matches the amount of the final payment. Furthermore, I've seen from the contact records Mr M has provided that, on confronting the scammer, they said to Mr M they had "*helped [him] with the loan*" – which he didn't refute. On balance, I therefore consider it more likely that Mr M took out the loan with the intention of investing it.

I think Mr M should have been concerned about the prospect of taking out lending for the purpose of investing – which he has told us he knew was subject to a high degree of risk. And based on what he has told us about taking the loan for the purpose of home improvements, that suggests he likely knowingly misled the lender about the reason for borrowing money.

My starting position is that, if F told or encouraged Mr M to take out this loan under false pretences to invest, I think that should reasonably have given Mr M concerns about their legitimacy. On balance, for the reasons set out above, I think that is more likely what happened.

It's not uncommon in this type of scam for scammers to persuade victims to take out loans to fund payments to the alleged trading platform. They may give convincing reasons for doing this, including convincing reasons for why the consumer should mislead the lender. But as Mr M says this wasn't the purpose of the loan (whereas I think it was), I don't have any input to consider from him about why he was persuaded.

As mentioned above, I'm conscious Mr M reported the scam to one of the other firms very shortly after the final payment. His contact records with the scammer also show that, just a few days after this payment, he sent F reviews he had found online deeming them a scam. At this point it seems clear he realised they weren't legitimate.

On balance, I therefore think Mr M had reason to question F's legitimacy prior to making the final payment, and so should have taken further steps to look into this. If he had done so, I think he would have uncovered the information he found shortly after which convinced him this was a scam.

Taking this into account, I think Revolut can fairly reduce the amount it pays Mr M because of his role in what happened. Weighing the fault I've found on both sides, I think a fair deduction is 50%.

My final decision

For the reasons given above, my final decision is that I uphold this complaint. I direct Revolut Ltd to pay Mr M 50% of the payment on 12 June 2023, totalling £3,500. It should also pay 8% simple interest per year on that amount from the date of the payment 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 M how much it's taken off. It should also give Mr M 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 M to accept or reject my decision before 11 April 2025.

Rachel Loughlin
Ombudsman