

The complaint

Mr G complains that Revolut Ltd won't refund transactions he says he didn't agree to.

What happened

Mr G held an account with Revolut. In late November 2022 €50 from his account was converted to GBP and then paid to a cryptocurrency exchange. His Revolut account then received funds from another account of his, with a firm I'll refer to as B. These payments were initiated through Revolut as a third party initiation service. These funds were also paid away to the cryptocurrency exchange.

Over the next few days Mr G's account received funds from various third parties, which were then paid to the same cryptocurrency exchange. Some of these transactions were later recalled by the sending banks. Revolut reviewed Mr G's account and took the decision to close it with immediate effect.

Mr G contacted Revolut to say he didn't understand the activity on his account and thought his account had been hacked. He complained about this, and the closure of his account. Revolut responded to say that they had closed his account in line with the terms of the account but didn't offer any further explanation.

Unhappy with this Mr G referred his complaint to our service. Our investigator looked in to things, but didn't think Revolut needed to do anything more. They were satisfied from the technical evidence that his account was accessed by his known device, and they couldn't see how someone else could have accessed this device.

Mr G disagreed, saying he had not been involved. As no agreement could be reached the complaint was been passed to me to decide.

After reviewing the evidence, I reached a different conclusion to the investigator. I issued a provisional decision that said:

Did Mr G authorise the transactions?

The relevant regulations to authorisation of payments are the Payment Services Regulations 2017 (PSRs). The general principle in the regulations is that if Mr G didn't authorise the payments, then he won't be liable for them.

In this case Mr G has denied making the transactions from his account with B to Revolut account. But the technical evidence suggests these were initiated from his known device. There's been no indication that his device was taken from him, or anyone else had access to his device.

However, there has been a suggestion that Mr G's device could have been infected with malware. From my understanding it is possible for a device to have software that allows it to be accessed remotely, and in some cases bypass other security features to allow transactions to be made.

Mr G has told our service he'd spoken to the software manufacturer for his device, and they'd removed a QR code from it. But he hasn't been able to demonstrate what was discussed, or how any malware could have been added to his device. Revolut have said that their systems did not detect anything to suggest unauthorised or compromised access.

That said, I'm persuaded that I should consider this issue of malware seriously. Firstly, the source of a lot of these funds, B, have accepted that their systems detected potential malware, albeit several days after the transactions to Revolut. This isn't necessarily conclusive. But it was enough for them to give him the benefit of the doubt and refund one transaction. B advised him to get his phone professionally cleaned.

So, there seems to be links to malware in this case, and the links seem more than fanciful.

I've also considered the wider circumstances of this complaint. Looking over Mr G's account history with both Revolut and B, there doesn't seem to be any history of using or investing in cryptocurrency. It seems unlikely that he would suddenly decide in the early hours of the morning to invest most of his available funds in cryptocurrency. Or why he'd need to move the funds from B to Revolut to do so. He's not mentioned speaking to someone about investing in cryptocurrency or falling victim to a scam.

Considering that funds were subsequently paid into his account, it was also need me to accept that Mr G was likely running a sophisticated cryptocurrency scam across multiple accounts, including those he uses for day-to-day spending.

I've seen nothing to suggest this was the case, or that he has willingly allowed his account to be used to launder the funds from a scam. He's not claimed to either Revolut or B that he knew about the funds being paid into his account.

Mr G has been consistent that he doesn't know what happened on his account, and he seems genuinely confused about what has happened. In the full circumstances of the complaint, I'm inclined to say that his story is largely credible. On balance I'm persuaded that it's more likely than not he didn't authorise the payments from his Revolut account, and that they came about through access to his device by an unknown third party.

Should Revolut refund the transactions?

Ordinarily Revolut should refund transactions which are unauthorised. There is provision in the PSRs for them to hold Mr G liable if he's failed in his obligations to keep his personalised security credentials safe – either intentionally or with gross negligence. But I've been given no indication this was the case.

In the PSRs, Section 76 "Payment service provider's liability for unauthorised payment transactions" says:

- (1) Subject to regulations 74 and 75, where an executed payment transaction was not authorised in accordance with regulation 67 (consent and withdrawal of consent), the payment service provider must—
 - (a) refund the amount of the unauthorised payment transaction to the payer;*
 - and*
 - (b) where applicable, restore the debited payment account to the state it would have been in had the unauthorised payment transaction not taken place.**
- ...*
- (5) Where an unauthorised payment transaction was initiated through a payment initiation service provider—*

- (a) the account servicing payment service provider must comply with paragraph (1);*
- (b) if the payment initiation service provider is liable for the unauthorised payment transaction (in relation to which see regulation 75(2)) the payment initiation service provider must, on the request of the account servicing payment service provider, compensate the account servicing payment service provider immediately for the losses incurred or sums paid as a result of complying with paragraph (1), including the amount of the unauthorised transaction*

This is echoed in the Financial Conduct Authority's document "Payment Services and Electronic Money – Our Approach" from November 2021. When discussing unauthorised payments made using the provisions of payment initiation services it says:

8.214 – Where an unauthorised, non-executed or defectively executed transaction is initiated through a PISP, it is the ASPSP's responsibility to provide a refund in line with regulation 76 and regulation 93 of the PSRs 2017...

In this case I'm satisfied that B is the account servicing payment service provider (ASPSP) and Revolut is the payment initiation service provider (PISP). So, I don't see that it would be reasonable for Revolut to refund the transactions transferred in from his account with B, despite being initiated at their end.

Mr G hasn't claimed ownership of any of the funds transferred in from third parties, so it wouldn't be reasonable to award him any of these funds.

So, from what I can see the loss he's suffered from the Revolut account is the €50 held in his account, which was converted to GBP before being sent to the crypto exchange. As such, I think it's reasonable for Revolut to refund this directly to him.

Account closure

Revolut also took the decision to close Mr G's account shortly after these disputed transactions.

Revolut have a broad commercial discretion on who they provide accounts to. The terms of the account allow Revolut to withdraw banking facilities for any reason so long as they provide at least two months' notice. But in this case, they provided no notice. Under the terms this can only be done under extremely limited circumstances.

From the available chat history, I can't see Revolut had contacted Mr G to discuss the activity on his account. Although I've also noted that Mr G didn't respond immediately to the closure, as he was away. I'm not persuaded that Revolut have demonstrated that the circumstances listed in the terms for immediate closure have been met. But I'm also minded that Mr G only used the account sparingly, and it held a minimal balance before the disputed transactions began, that they need to do anything further to make up for this.

I suggested Revolut refund the €50, plus 8% simple interest per annum from the date of payment to the date of settlement.

Revolut did not respond to the provisional decision.

Mr G responded to say it was fair comment. But he also wanted to add that he had spoken to his device manufacturer about potential malware, and they had helped him remove it. He said he'd attempted to contact them to ask if they had a record of the removal but could not

speak to someone to confirm this. He also emphasised the stress the entire situation had caused him, and how he'd been made to feel like a culprit.

It now falls on me to review the evidence afresh.

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.

Should Mr G be held liable for the transactions?

Neither party has sent me any new evidence that has changed my thinking on whether Mr G authorised the transactions. I thank Mr G for his further explanation of his contact with the device manufacturer – it's consistent with what he's said before, and I find it credible.

I remain satisfied that it's more likely than not his device was compromised in some way, which led to an unknown third party making unauthorised transactions. I've seen nothing to suggest Mr G has failed in his obligation to REvolut to keep his personalised security credentials secure – either intentionally or with gross negligence.

Under the relevant regulations I'm satisfied it's reasonable for Revolut to refund the €50 that was taken, and to add the 8% simple interest per annum to this amount to reflect the time without these funds.

Account closure and customer service

I have considered this point further based on what Mr G has said about the stress that was caused. But I'm also mindful here that the primary cause of any distress in the unknown fraudster.

As mentioned in the provisional decision, I agree Revolut could have investigated more thoroughly – such as asking more questions. I don't think the immediate closure has been justified. But I see that this is mitigated somewhat by the fact that this wasn't an account Mr G used for day-to-day spending and held a low balance at the time. The impact of Revolut's actions here would not be significant. On balance I'm not persuaded they need to do anything further to make up for this.

Putting things right

To resolve this complaint Revolut must refund the €50 held in the account at the time the disputed transactions began. They should also add 8% simple interest to this amount from the date of loss to the date of settlement.

If Revolut feels they were required by HMRC to deduct income tax from the interest award they should tell Mr G how much has been deducted. They should also supply him with a certificate showing how much was taken, should he ask for one. He can then reclaim this directly from HMRC if he is eligible.

My final decision

My final decision is that I uphold this complaint and direct Revolut Ltd to settle it as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 15 November 2024.

Thom Bennett
Ombudsman