

## The complaint

Mr G complains that Revolut Ltd won't refund money he lost as a result of a scam.

## What happened

Mr G fell victim to an impersonation scam. He's explained he received a call from 'Lloyds' saying that someone had tried to make a payment from his account. He said this correlated with an attempted payment on his Lloyds account, and that they knew several pieces of information about him.

Mr G recalled being told to move money to his Revolut account, while they closed his existing account and opened a new one.

After Mr G did this, he received a text message that appeared to come from Lloyds with his new account details. Mr G transferred his money to the new account over several payments, as they told him this would make sure his new account wouldn't be blocked.

When he made the first two payments, he was shown a general scam warning that he was at risk of losing money. For the latter payments, Mr G was asked about the purpose of the payments – while there was an option to select '*transfer to a 'safe account'*', he selected '*goods and services*' for each payment. He was then shown educational screens relevant to scams associated with paying for '*goods and services*'.

When Mr G realised he'd been scammed, he disputed the transactions with Revolut. It declined to refund him and didn't uphold his related complaint. It said it fulfilled its duty to provide scam warnings about the payments and did everything it could to recover his money.

For reference, I've included the details of the relevant faster payments made to 'Mr G' below:

Reference	Date and Time	Description	Amount
n/a	19 July 2023 19:48	Payment from Mr G's account with Lloyds	+£6,573.75
n/a	19 July 2023 19:52	Depositing savings	-£6,515.00
n/a	19 July 2023 20:04	Withdrawing savings	+£6,515.00
Payment 1	19 July 2023 20:17	Disputed faster payment to 'Mr G'	-£11.00
Payment 2	19 July 2023 20:20	Disputed faster payment to 'Mr G'	-£100.00
Payment 3	19 July 2023 20:21	Disputed faster payment to 'Mr G'	-£1,995.00
Payment 4	19 July 2023 20:25	Disputed faster payment to 'Mr G'	-£1,995.00
Payment 5	19 July 2023 20:30	Disputed faster payment to 'Mr G'	-£2,000.00

Payment 6	19 July 2023 20:32	Disputed faster payment to 'Mr G'	-£473.00
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In September 2024, I issued my provisional findings upholding the complaint. Mr G accepted my decision and I didn't receive a response from Revolut by the deadline given.

### **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.

Given that neither side has added any further arguments or evidence in response to my provisional findings, I see no reason to change my mind. For completeness, I've included my provisional findings below:

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 G 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 G 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 July 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>
- 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

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

<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/](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.

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 July 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 G was at risk of financial harm from fraud?*

I've been provided with Mr G's transactions for his Revolut account from January 2022 – it seems he kept a modest balance in the account and used it for regular transfers to a small number of payees alongside some everyday expenditure. No significant payments were made into or out of the account – it seems the highest single payment was for £1,000.

Given his account history, I think the pattern of payments that emerged on 19 July 2023 ought to have stood out as unusual. I've noted:

- He received a significant payment into his account – for over £6,000.
- Within half an hour, Mr G had set up a new payee. Given that the transaction records describe the payment going to his own name, I think it's likely the payee name he entered didn't match the name of the account holder. This means he'd have likely received a 'no match' 'Confirmation of Payee' result.
- Within fifteen minutes, Mr G made six payments for increasing amounts – totalling £6,574.00.

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

### What did Revolut do to warn Mr G?

Revolut did provide a warning when Mr G was attempting to make Payment 1, 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 that fraudsters can impersonate others, and we will never ask you to make a payment.”*

Given the low values of Payments 1 and 2, I think this general warning was proportionate to the risk.

For Payments 3, 4, 5 and 6, Mr G was shown further warnings that he was required to interact with. In summary, the screens said *‘the transfer could be a scam’*, *‘victims lose millions every year’* and *‘fraudsters are professionals’*. A further screen asked Mr G for the purpose of the payment. While *‘transfer to a ‘Safe Account’* was an option, Mr G selected *‘goods and services’*. As a result, he was presented with screens warning him about typical scams of this nature.

I’m satisfied that for Payment 3, this level of intervention was proportionate to the risk of financial harm. However, by Payment 4, the risk had increased again – Mr G was making the exact same payment a few minutes after the prior payment. And it meant there was now a significant amount of money that had been moved in and was being moved out of his account, and it was going to an account where the name didn’t match the payee Mr G described.

Given this increased risk, I don’t think Revolut’s warnings were enough. The pattern of payments looked particularly unusual at this stage (even thinking it was for goods and services). Revolut would’ve also been aware of how fraudsters coach people to select irrelevant payment purposes, and how, even with the right payment purpose, there inevitably remains a myriad of scams that aren’t covered by the key educational messages in its screens.

### What kind of warning should Revolut have provided?

Having thought carefully about the risk Payment 4 presented, I think a proportionate response to that risk would be for Revolut to have attempted to establish the circumstances surrounding the payment before allowing it to debit Mr G’s account. I think it should have done this by, for example, directing Mr G to its in-app chat to discuss the payment further.

### If Revolut had provided a warning of the type described, would that have prevented the losses Mr G suffered from Payment 4?

I’ve considered how Mr G would’ve responded had Revolut asked him open, probing questions about the circumstances of Payment 4. I recognise Mr G selected ‘goods and services’ as the purpose of the payment, but I’ve not been persuaded he was provided with a sufficient cover story that would’ve stood up to reasonable scrutiny. For example, I don’t think he’d have been able to convincingly explain what goods and services these were; why he needed to pay over several payments; or why the payee name didn’t match the account holder.

Moreover, I’m not convinced Mr G would’ve misled Revolut with such details. We know fraudsters will often direct victims to select a particular payment purpose – and here, it seems it was under the guise of making sure the payments go through successfully. But that’s quite different to being comfortable presenting an elaborate cover story unrelated to

the premise of keeping his money safe. If Mr G was encouraged to do this, I think it's likely he'd have become suspicious and realised something wasn't right.

Taking this all into account, I think Revolut would've got to the bottom of the real purpose of the payment and been able to warn him appropriately – for example, that only fraudsters would ask Mr G to lie to them or move money to keep it safe. Given that Mr G had no desire to lose money, and he didn't have anything to gain from the payments, I'm satisfied he'd have taken heed of this warning and that his loss from and including Payment 4 would have been prevented.

### *Should Mr G bear any responsibility for their 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.

Mr G fell victim to cleverly planned scam. It used genuine attempted payments, knowledge of his personal details and the ability to spoof a bank's number to gain his trust. Considering this, I don't find it unreasonable that he followed their instructions, believing he was simply moving money from one of his accounts to the other to keep it safe.

I recognise he selected the wrong payment purpose when asked, and he'd have likely received a message which informed him that the name he'd entered as a payee didn't match that on the recipient account. But sophisticated fraudsters are prepared for such moments – and I can understand how he'd have been plausibly persuaded to move past this. Taken with how everything else about the scam seemed so convincing, I don't find his actions here to be unreasonable.

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

### **My final decision**

For the reasons I've explained, I plan to uphold this complaint about Revolut Ltd and tell it to pay Mr G:

- The sum total of Payment 4, Payment 5, and Payment 6 - £4,468.00, less any amounts already returned or recovered.
- 8% simple interest per year on that amount from the date of the payments 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 G how much it's taken off. It should also give Mr G a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 18 November 2024.

Emma Szkolar  
**Ombudsman**