

The complaint

Ms L complained because Revolut Ltd refused to refund her for transactions which she said she didn't make.

What happened

At around 6am on 25 March 2024, Ms L logged into her Revolut app on her phone, to see what the current exchange rate was. She normally used her Revolut account for travel abroad, changing sterling to the relevant local currency, then converting back to sterling after she returned to the UK. Ms L saw that there had been three transactions which she said she hadn't authorised. Ms L was holding a currency balance in UAE Dirhams (AED) prior to a holiday, and the three transactions which she said she hadn't authorised were in Chinese Yuan (CNY). Converted into AED, the three debits were for 526 AED, 1052.52 AED and 1052 AED. They had all taken place within a minute, at what was night-time in the UK. They were to a Chinese social media app.

Ms L froze her card, blocked the merchant, and as a precaution changed her money back to sterling from AED. She contacted Revolut around 6.30 am, saying she desperately needed help with fraudulent transactions. Some 20 minutes later, Revolut's chat gave the name of someone who would be dealing with this. But no-one replied to Ms L until 7.05 am.

Revolut told Ms L that the transactions had been recorded as a subscription, and asked Ms L if she'd received any confirmation emails or texts. Ms L hadn't. The chat adviser told Ms L her card might have been compromised, and she should order another. It said Revolut could assist Ms L through the chargeback process, but that the chargeback form was currently inaccessible through the app.

Later the same morning, Ms L contacted Revolut again and Revolut repeated that the disputed transactions, which were still pending, were subscriptions. Ms L said she didn't know the merchant, and had never transacted with it. She confirmed that neither her phone nor card had been stolen, and she hadn't shared any of her security details. She said she hadn't used her Revolut account since May 2023 when abroad, and was asleep in the UK at the time of the disputed transactions.

Revolut told Ms L the location might reflect the merchant's headquarters, not where the transactions had happened, and asked if she'd had an email from the merchant to confirm the subscription. Ms L said she hadn't, and she'd also checked spam and deleted folders. Revolut told Ms L to order a new card, and said that the fees for that would be refunded later, but Ms L said she didn't want to have a new card. She asked Revolut to stop or refund the pending payments, but Revolut said Ms L would have to raise a chargeback for them. It told her that a pending transaction is a payment which has been authorised but is still waiting for the merchant's confirmation or reversal. It said that most transactions are resolved within 2 days, and *"the maximum you will have to wait is 02 April 2024. However, it can automatically resolve before that as well."*

Ms L tried to raise a chargeback as Revolut had instructed, but found that the system said she couldn't do so for 7 days. When she reported this to the adviser, the adviser replied that

Ms L could submit a chargeback after 7 days. Ms L replied that this was too long when a large amount of money had been taken from her account. But Revolut asked her to wait, and repeatedly said she couldn't raise the dispute for 7 days.

Revolut also told Ms L it could take 12 weeks to resolve a chargeback.

Ms L reported the fraudulent transactions to the police and provided Revolut with a copy of the Action Fraud document the same day. But Revolut again told her she couldn't raise a chargeback for 7 days.

On 28 March, Revolut refunded the smallest of the three transactions, for 526 AED. It gave her provisional refunds for the other two. Ms L asked why Revolut had refunded one but not the other two, when the transactions had all been to the same merchant and at the same time. Revolut replied that her case had been referred to specialists and it couldn't disclose any details of what was taken into consideration. Ms L said it was grossly inconsistent when all had been to the same merchant at the same time. She also pointed out that the method and pattern of the transactions didn't align with her usage of the account. Revolut told Ms L she could complain, and she replied that she already had done. Revolut said that it was following the card scheme rules.

Revolut sent Ms L its final response to her complaint on 2 April. It said her case was still ongoing as it had sent her dispute to the merchant, which had 50 days to respond. It said it had concluded that her claim for the 526 AED transaction was valid, so that was a permanent refund. But the other two disputed transactions might be reversed if the dispute with the merchant was lost. It said Revolut had acted within its terms and conditions and apologised *"if it wasn't clear to you that there is a considerable wait time associated with the chargeback procedure."*

Ms L wasn't satisfied and contacted this service. She set out what had happened, and said that she'd found the process of raising the issues with Revolut had been time-consuming, distressing, and Revolut didn't have a working phone number to talk to anyone. She said the number given on the FCA register was an automated line, with no human on the end of it to talk to. Ms L also said that although Revolut had said it had acted in line with the terms and conditions, as far as she could see, it hadn't complied with its own clause 22 *"What happens if someone steals from my account?"* She pointed out that all three fraudulent payments had been made on the same day, at the same time, to the same merchant, and all three should have been flagged as anomalies given the pattern of how she'd used her Revolut account – so the fraudulent transactions should have been blocked at the outset. Ms L said she'd like the remaining two transactions refunded in full, with an additional sum for the distress and inconvenience of the completely avoidable situation.

Our investigator didn't uphold Ms L's complaint. She noted that Revolut hadn't disagreed with Ms L's claim that she hadn't authorised the payments, and it had issued refunds for all three payments. Two of these were currently in the process of pre-arbitration, which demonstrated that in the absence of any evidence to say otherwise, Revolut was treating the transactions as unauthorised.

The investigator also said she'd looked at whether Revolut had dealt with the fraud claim correctly and fairly. She said that the 526 AED transaction had been permanently refunded because 3DS authentication, an extra authorisation mechanism for online card payments, had been confirmed automatically by Revolut's system.

The investigator also said that under chargeback rules, the merchant's bank had 45 days to challenge the chargebacks. So she said Revolut had acted in line with chargeback rules.

And the investigator said that although Revolut issued the refunds later than the regulations required, it had done so on 28 March and had raised the chargebacks that day too.

Ms L didn't agree. She said that just because Revolut was following a chargeback process, it didn't excuse it from having allowed the first fraudulent transaction to go through in the first place – which resulted in the subsequent fraudulent transactions. She asked for an ombudsman's decision.

On 3 June, while Ms L's case was in the queue for an ombudsman's decision, she wrote to tell us that Revolut had just resolved the chargeback in her favour. She said that she still believed Revolut should be asked to pay her compensation for the distress and inconvenience it had caused. She gave examples that it had promised an update on the chargeback by 19 May, which hadn't happened, and Revolut hadn't been responsive to her about the chargeback. She said it had made a number of mistakes both in the handling of her complaint, and its initial error which had led to the further fraudulent transactions. And the contact details on the Financial Services Register, run by the Financial Conduct Authority (FCA) was a defunct number.

The investigator said that Revolut's contact details on the Financial Services Register was a matter which Ms L could raise with the FCA if she wished. The investigator also said that she believed Revolut had followed the chargeback procedure correctly and Ms L hadn't suffered a loss. So Ms L's complaint was referred to me for an ombudsman's decision.

My provisional findings

I issued a provisional decision on this complaint. This was because I'd come to a different conclusion to the investigator. Issuing a provisional decision gave both sides the opportunity to comment on it, by the date set, before I issued a final decision

Before issuing the provisional decision, I considered all the available evidence and arguments to decide what would be fair and reasonable in the circumstances of this complaint.

In my provisional decision, I noted that Revolut had eventually permanently refunded Ms L for the three disputed transactions. It also refunded her with the exchange rate charge, when she changed her balance from AED to sterling to protect her funds. So I explained that there is no outstanding financial loss here, and the issue for me to decide is whether Revolut complied with the relevant regulations about disputed payments, and whether it acted fairly and reasonably in the service it provided to Ms L.

What the Regulations say

There are regulations which govern disputed transactions. The relevant regulations here are the Payment Services Regulations 2017. In general terms, the bank is liable if the customer didn't authorise the payments, and the customer is liable if they did authorise them. Here, Revolut didn't suggest, and nor did it send us any evidence to indicate, that it thought Ms L might have authorised the disputed transactions herself. So I didn't consider this, and have assumed that Ms L was a genuine victim of fraud.

The specific regulations which set out liability, and what a Payment Services Provider (here, Revolut) must do, are:

*“75.—(1) Where a payment service user—
(a)denies having authorised an executed payment transaction; or
(b)claims that a payment transaction has not been correctly executed,*

it is for the payment service provider to prove that the payment transaction was authenticated, accurately recorded, entered in the payment service provider's accounts and not affected by a technical breakdown or some other deficiency in the service provided by the payment service provider.

76.—(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.

(2) The payment service provider must provide a refund under paragraph (1)(a) as soon as practicable, and in any event no later than the end of the business day following the day on which it becomes aware of the unauthorised transaction.”

25 March was a Monday in 2024, so a business day. Revolut gave Ms L a permanent refund for the first disputed transaction on 28 March. This was outside the timescales required by the regulations.

At the same time, it gave her a temporary refund for the second and third disputed transactions. But it didn't provide a permanent refund for these until shortly before Ms L notified us on 3 June. So these transactions too were refunded outside the timescales required by the regulations.

Ms L also said that Revolut's actions didn't meet the terms and conditions of her account. I looked at these, and Section 22 does set out that Revolut will refund a customer for money stolen from an account. However, Revolut did do this eventually, and the terms and conditions don't set out timescales as the Payment Services Regulations do.

Should Revolut have blocked the first disputed transaction?

Ms L believes that Revolut should have blocked the first disputed transaction for 526 AED, which would have prevented the subsequent ones for 1052.52 AED and 1052 AED from going through.

I looked at Ms L's account statements going back to 2018. These tallied with what she told us: that she uses the account for holiday spend. I saw nothing to indicate that she made other purchases for social media apps. Nor did I see evidence of other transactions to merchants in China, though for some payments I didn't have evidence of the country.

Payment service providers such as Revolut are expected to monitor accounts and payments, in order to counter various risks such as money laundering, the financing of terrorism, and fraud and scams. To do this, payment services providers need to have systems in place to look out for unusual transactions or other signs that might indicate that its customers are at risk. In some circumstances, we'd also expect a payment services provider to have taken additional steps, or made additional checks, before processing a payment. In some cases we'd expect them to decline to make a payment altogether.

I could understand why Ms L, who suffered three fraudulent transactions within a minute, feels strongly about this. They were also to a merchant for a type of payment (social media apps) which Ms L doesn't appear to have used before on her Revolut account. And they were to a country which Ms L didn't appear to have made payments before on her Revolut account.

But I explained that payment services providers take their own highly confidential decisions on security, and I didn't have details of Revolut's systems. Some payment services providers, for instance, set a higher financial limit for picking up potential fraud, than the transactions here. That's because there is a difficult balance to be struck between the prevention of fraud, and the duty to carry out customers' instructions to make payments. Here, I couldn't say that Revolut should definitely have blocked the transactions on Ms L's account. But I've commented below on its customer service when the transactions did turn out to be fraudulent.

Did Revolut provide permanent refunds promptly enough?

As I've set out above, Revolut didn't refund Ms L within the timescales set out in the Payment Services Regulations, though it provided one permanent and two temporary refunds within a few days after that. I understood why Ms L said Revolut's logic was flawed in permanently refunding one of a series of disputed payments but not the other two. I didn't have access to Revolut's reasoning on this, but it may be because the first payment was for a smaller amount.

Financial organisations do often provide temporary refunds for transaction disputes, because it may not always be practical to complete an investigation within the "next day" requirements of the regulations. But here, the major cause of delay was Revolut's decision to use the chargeback process, instead of coming to its own decision based on the evidence available to it. What it had to decide, as I've set out above, is whether or not it was more likely than not that Ms L had authorised the transactions herself. It had taken evidence from Ms L and would also have had computer evidence about the transactions.

Some financial organisations choose to use chargebacks for disputed transactions. And it's accurate that chargebacks run according to rules – including timescales - set out by the card scheme, not by the payment service provider (here, Revolut). But chargebacks aren't a full substitute for all of a payment services provider's responsibilities under the Payment Services Regulations 2017. In other words, what matters here was still the key issue of whether or not Ms L authorised the disputed payment – not whatever the merchant replied to a chargeback. And Revolut didn't ever allege, or provide evidence to indicate that was more likely than not that Ms L had authorised the disputed transactions.

So I considered that Revolut's decision to use chargebacks meant that Ms L had to wait longer than she might otherwise have done for a permanent refund of the two later disputed transactions. It took around 10 weeks for her to receive this confirmation, leading to distress and inconvenience for Ms L who was understandably worried about the outcome.

Revolut's customer service

I looked carefully at the customer service Revolut provided to Ms L, both when she reported the dispute, and up to the time some 10 weeks later when it confirmed that the second and third refunds were permanent.

Ms L had to wait around 35 minutes to be connected to Revolut's chat adviser to report her dispute, even though this was early in the morning and not presumably a time when there was high demand for the chat. It's clear she was distressed. The record of chat shows that she repeatedly asked for help – for example *"Hello? I really need urgent assistance"* and *"Is there someone there to help?"* and *"I desperately need help with fraudulent transactions. Please can somebody help me?"* And after an adviser was assigned, there was still no direct response to Ms L. Her chat records become increasingly distressed and at shorter intervals, for example *"I really need help urgently"* and *"Please can you help. Why is this taking so long? I have been a victim of fraud and I want my money back."*

Revolut also gave Ms L conflicting information about timescales:

- At 18:27 on 25 March, it told Ms L that most transactions were resolved within two days and *‘the maximum you will have to wait is 02 April 2024’*;
- At 5.55 on 26 March, it told Ms L the chargeback process could take up to 12 weeks;
- At 12.12 on 28 March it told Ms L *‘we should know more’* by 15 May;
- In its Final Response to Ms L’s complaint on 2 April, it said that the merchant had 50 days to respond.

In fact it was shortly before 3 June when Revolut confirmed permanent refunds.

A further cause of distress on the chat was that Revolut told Ms L that she had to raise a chargeback, but when she tried to do so, the system said she couldn’t do so for the next 7 days. When Ms L reported this to the chat adviser, the adviser confirmed that she wouldn’t be able to do so for 7 days. Ms L was understandably upset about this delay, and said that this was too long when a large amount of money had been taken from her account. Revolut gave no clear explanation for this delay, and just repeated several times that she couldn’t raise a dispute for 7 days. I’m not aware of anything in the chargeback framework which says a customer can’t raise a dispute for 7 days, and indeed bank customers are always urged to report disputes as soon as possible.

I considered that in contrast, Ms L did everything she could reasonably have been expected to do in these circumstances. She immediately froze her card, blocked the merchant, and changed her money back to sterling from AED. She contacted the Police / Action Fraud. She also asked a sensible question about why Revolut refunded one transaction and not the other two, and pointed out that the method and pattern of the transactions didn’t align with her usage of the account.

I also considered that Revolut’s choice to use chargebacks, rather than its own investigation into whether it was likely that Ms L had authorised the transactions herself, led to delay and to greater distress and worry for Ms L.

Taking all these factors into account, I considered that Revolut should pay Ms L £200 compensation for the distress and inconvenience it caused her.

Responses to my provisional decision

Ms C said she had nothing further to add. She said she hoped the provisional decision would be formalised with her complaint upheld and compensation paid, and she could then put Revolut out of her mind.

Revolut didn’t agree. It said that although the transactions had been initiated on 25 March, they were pending until 1.54 am on 26 March. It said Revolut shouldn’t have been expected to provide a refund on 25th, because the money hadn’t changed hands. So it said it had provided refunds within two days of the issue being reported.

Revolut said that it felt £200 compensation was more than it expected a customer to be awarded when there had been such a small delay, especially when £200 was more than a third of the disputed amount.

Revolut also disagreed with my comments about when it had provided a permanent refund, having only initially provided a temporary refund. Revolut said that the two refunds hadn’t been “temporary” but “provisional.”

It accepted that as I’d noted, Regulation 75 places the burden of proof on the payment service provider (Revolut), which had to show the transaction had been authenticated. But it

said it hadn't been able to do that at the time the chargeback had been created, which was why it had issued a provisional refund. Revolut said this *"leaves a possibility that the merchant may provide sufficient information to show that the payment was authorised by the customer, which would then mean that the customer's claim does not apply under Regulation 75."*

Revolut went on to say that *"a provisional refund does not mean that the customer is given a temporary refund, rather, it indicates that the case is still ongoing, however, the customer is being provided with the benefit of the doubt for their claim."*

Revolut said that it didn't consider the delay in Ms L's case could be seen as more than two business days. It said the compensation proposed in my provisional decision was excessive, and the arguments completely disregarded the fact that a provisional refund relied on Revolut trusting the customer in the claim.

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.

I've considered the responses to my provisional decision, including in particular Revolut's objections.

In my provisional decision I found that the service Revolut provided to Ms L was poor in many ways. Revolut's response focused solely on a small part of this: the date of the three initial refunds: one permanent and two non-permanent. It didn't meet the regulatory requirements. But as my provisional decision set out, the fact that Revolut didn't meet the regulatory timescale requirements for the initial refunds is only a small part of its failings. And whether the two initial non-permanent refunds are described as "temporary" or "provisional" is a semantic difference which makes no difference to the merits of how much compensation Revolut should pay Ms L for its failings.

What determines the outcome of a disputed transaction claim is who authorised the transaction. Revolut chose not to investigate this key element itself, but to use the mechanism of a chargeback instead. Chargebacks aren't a full substitute for all a payment service provider's responsibilities under the Payment Services Regulations 2017. So Revolut's decision not to conduct its own investigation, but to use a chargeback instead, was always a risky strategy in terms of meeting regulatory requirements.

In practice the use of chargeback also led to significant frustration, upset and extended worry for Ms L. For example:

- She was told she had to raise a chargeback in order to dispute the fraudulent transactions – but that she couldn't do so for 7 days. Ms L was understandably upset about this delay when she had lost a significant amount of money. No reason was given to her, just that she had to wait. Nor has Revolut given this service any reason why it told her she couldn't raise a claim for 7 days;
- The two disputed transactions where a non-permanent refund was given on 28 March were not refunded until shortly before 3 June. I consider it's more likely than not that Revolut could and should have been able to reach an evidence-based decision about whether or not Ms L had authorised the transactions herself, significantly before that date, if it had chosen to conduct an investigation itself. This would have significantly reduced the impact on Ms L.

Revolut's customer service more generally was also very poor. For example:

- She had to wait around 35 minutes to be connected to Revolut's chat adviser to report her dispute, even though this was early in the morning and presumably not a time when there was high demand. She said there was no option to phone Revolut, and I've set out above her chat messages which show that she was, understandably, increasingly distressed that Revolut wasn't answering when she was shocked and worried at having discovered fraud;
- Revolut didn't give Ms L answers to her logical questions – for example when she asked why Revolut had given her a permanent refund for one transaction but not the other two. All three had been made to the same merchant, and within the same minute. She also pointed out that the method and pattern of the transactions didn't align with her usage of the account. Revolut failed to consider this too, and just said it was following chargeback rules. These were important factors it should have taken into account. If Revolut had taken Ms L's points into account, in an investigation of its own, this would have reduced the frustration, upset and worry which she understandably felt, and should also have led to a quicker resolution.
- Revolut gave Ms L conflicting information about timescales. I've set out above four different versions of the timescales which it told her.

Looking at the remaining points in Revolut's response to the provisional decision, I consider that its comment that a chargeback "*leaves a possibility that the merchant may provide sufficient information to show that the payment was authorised by the customer*" misses the point. This implies that Revolut used a chargeback in the hope that the merchant might provide a way for Revolut to be able to avoid having to refund the customer.

Revolut's decision not to undertake its own investigation to meet a payment service provider's responsibilities under the regulations led to a greater delay before the permanent refunds. This, and poor customer service throughout, led to significant distress and inconvenience for Ms L.

So my final decision is that £200 compensation is fair and reasonable for the distress and inconvenience Revolut caused Ms L.

My final decision

My final decision is that I uphold this complaint. I order Revolut Ltd to pay Ms L £200 compensation for the distress and inconvenience it caused her.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 20 November 2024.

Belinda Knight
Ombudsman