

The complaint

Mr L complains that Revolut Ltd didn't do enough to protect him from the financial harm caused by an investment scam, or to help him recover the money once he'd reported the scam to it.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

In April 2023, Mr L was contacted on WhatsApp by someone I'll refer to as "the scammer" who claimed to work for Company D. The scammer was professional and articulate and explained Mr L would be given a trading account and a broker to provide investment advice.

The scammer sent Mr L a link to an investment platform which looked professional and genuine, and mimicked the features of a genuine company. There was no negative information online about D, and as Mr L was an inexperienced investor, he struggled to conduct any further due diligence.

The scammer told Mr L to create accounts with Revolut and a cryptocurrency exchange company I'll refer to as "B", and to purchase cryptocurrency before loading it onto an online wallet. Between 3 April 2023 and 18 April 2023, he made three card payments and nine transfers to four different recipients totalling £81,504. He realised he'd been scammed when he tried to make a withdrawal and the scammer asked for various fees such as tax, brokerage fees, and exchange rate fees.

Mr L complained to Revolut with the assistance of a representative who said it should have intervened because Mr L had made several high value credits into the account and immediately transferred funds out to various payees linked to cryptocurrency.

It said it should have offered clear scam warnings and encouraged Mr L to carry out further checks into the companies he was seeking to invest in, which would have exposed the scam. And even if the scam had not been fully exposed, Mr L would have agreed the risk of continuing to invest with an unregulated firm was too high to accept and wouldn't have proceeded with the payments.

But Revolut refused to refund any of the money he'd lost. It said it tried to retrieve the funds, but it received confirmation that no funds remained. It also said it raised a chargeback claim on 15 November 2023, but it didn't have enough information to proceed with the claim.

It said Mr L was presented with a new beneficiary warning before the first payment to each new beneficiary. He'd also been asked to provide a payment purpose and shown educational screens regarding the type of potential scam, which was sufficient in the circumstances.

Mr L wasn't satisfied and so he complained to this service with the assistance of his representative who said Revolut failed to contact Mr L, and he didn't receive any effective

pop-up notifications or scam warnings. They said it should have intervened because he was sending funds to a multiple, new payees, there was a sudden increase in spending, and he was making large and unusual payments in quick succession, having funded the account with several high value credits from another account in his name before immediately withdrawing the balance to a new payee associated with cryptocurrency.

They said Revolut should have asked Mr L whether there were any third parties involved and, if so, how he met them, whether the returns were plausible, and whether he'd received any withdrawals. As he hadn't been told to lie, he'd have explained he was acting under the instructions of a cryptocurrency trader, and it would have immediately recognised that the investment had the hallmarks of a scam. And if it had educated Mr L about the scam risk, he wouldn't have gone ahead with the payments.

Responding to the complaint, Revolut said there were no chargeback rights because the service purchased was a money transfer to a cryptocurrency exchange provider and the service was completed in full. It also said the payments were authorised via 3DS and the fraudulent activity took place outside of the Revolut platform.

It explained Mr L created the account on 31 March 2023 declaring multiple account purposes including 'crypto' and 'transfers'. It said it is an Electronic Money Institute (EMI) and typically this type of account is opened and used to facilitate payments to cryptocurrency wallets, so the payments weren't out of character with the typical way in which an EMI account is used. It also said there was no spending history to compare the payments with, so there was no basis to believe he could be a victim of financial harm.

It explained that each individual transfer to a new beneficiary was authorised via biometric authentication/passcode by Mr L within the Revolut app and he was provided with a new beneficiary warning which would have been effective in raising awareness of the risks of sending funds to unknown parties. He was asked to provide a payment purpose for four of the transfers (one of which was declined) and received a set of dynamic educational story messages to warn him about the risks associated with the payment.

For the £9,000 transfer that was eventually cancelled on 11 April 2023, Mr L selected 'transfer to a safe account' which resulted in a further, set of tailored warnings about safe account scams. He also engaged in an automated chat when he said he hadn't been rushed into making the payment and hadn't been asked to ignore scam warnings. Revolut said it would have provided a different warning if Mr L had selected that he was investing in cryptocurrency.

It also said he failed to undertake sufficient due diligence, and that he should have conducted thorough research or taken advice from a registered financial advisor.

Revolut cited the Supreme Court's judgment in *Philipp v Barclays Bank UK plc* [2023] UKSC 25. The Court held that in the context of APP fraud, where the validity of the instruction is not in doubt, no inquiries are needed to clarify or verify what the bank must do. The bank's duty is to execute the instruction and any refusal or failure to do so will prima facie be a breach of duty by the bank."

It has also argued that for the FOS to effectively apply the reimbursement rules to self-to-self transactions executed by Revolut is an error of law. Alternatively, it has irrationally failed to consider the fact that these transactions are self-to-self and therefore obviously distinguishable from transactions subject to the regulatory regime concerning APP fraud. And it is irrational (and illogical) to hold it liable for customer losses in circumstances where it is merely an intermediate link, and there are typically other authorised banks and other

financial institutions in the payment chain that have comparatively greater data on the customer than Revolut.

Our investigator didn't think the complaint should be upheld because Revolut questioned Mr L about the payments on 11 April 2023, and he didn't answer honestly, which prevented it from uncovering the scam. He explained the messages between Mr L and the scammer showed he was coached every step of the way, noting he sent screenshots of questions to the scammer and followed his guidance on how to respond, so he didn't think there was anything Revolut could have done to uncover the scam.

Mr L has asked for his complaint to be reviewed by an Ombudsman. His representative has commented that the chat our investigator has relied on a payment of £9,000 on 11 April 2023 that wasn't made to the scam. They've also commented that Revolut asked questions that could be answered in a single word, and therefore they weren't probing or effective.

They have also argued that Mr L sent a screenshot in the chat on 11 April 2023 which ought to have alerted Revolut that he was sending money through B and being coached. And the fact the £9,000 payment was declined shows Revolut's intervention it was successful.

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, I've reached the same conclusion as our investigator. And for largely the same reasons. I'm sorry to hear that Mr L has been the victim of a cruel scam. I know he feels strongly about this complaint, and this will come as a disappointment to him, so I'll explain why.

I'm satisfied Mr L 'authorised' the payments for the purposes of the of the Payment Services Regulations 2017 ('the Regulations'), in force at the time. So, although he didn't intend the money to go to scammers, under the Regulations, and under the terms and conditions of his bank account, Mr L is presumed liable for the loss in the first instance.

There's no dispute that this was a scam, but although Mr L didn't intend his money to go to scammers, he did authorise the disputed payments. Revolut is expected to process payments and withdrawals that a customer authorises it to make, but where the customer has been the victim of a scam, it may sometimes be fair and reasonable for the bank to reimburse them even though they authorised the payment.

Prevention

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.

But, 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 April 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;
- 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.

I've thought about whether Revolut could have done more to prevent the scam from occurring altogether. Buying cryptocurrency is a legitimate activity and from the evidence I've seen, the payments were made to a genuine cryptocurrency exchange company. However, Revolut ought to fairly and reasonably be alert to fraud and scams and these payments were part of a wider scam, so I need to consider whether it ought to have intervened to warn Mr L when he tried to make the payments.

The payments did flag as suspicious on Revolut's systems, so I've considered whether it intervened appropriately and whether it did so at the right time. The first three payments were relatively low value payments to a legitimate cryptocurrency exchange, but payments two and three happened on the same day, and the cumulative total of the payments was £3,000, so I think Revolut should have intervened. However, I would only expect it to have provided a tailored written warning and based on the fact Mr L was being coached by the scammer and believed the investment was genuine, I don't think this would have prevented the scam.

Revolut intervened again on 6 April 2023 when Mr L made a payment of £5,000, and I'm satisfied this intervention was proportionate and that Revolut was prevented from identifying the scam because Mr L gave an incorrect payment purpose.

The next intervention happened on 11 April 2023 when Mr L made a transfer for £22,484. On this occasion, Mr L was asked to provide a payment purpose and given a warning tailored to the response he gave. Based on the value of the payment, I think a proportionate response would have been for it to contact Mr L via its live-chat facility and question him about the payment. But based on what he said to Revolut when it asked him questions via the live chat later the same day, I don't think he'd have told the truth about the circumstances of the payment and so I don't think a better intervention would have made any difference.

I've seen the messages between Mr L and the scammer, and I'm satisfied he was being heavily coached to lie to Revolut, and that he actively seeking and following this guidance. On 11 April 2023 (when Mr L was trying to transfer £9,000), Revolut asked Mr L whether he was being pressured to act quickly at risk of missing out on an investment opportunity, whether he'd been promised returns which were too good to be true, whether he'd done any research, whether he'd been encouraged to invest by someone he'd recently met online, whether he'd installed AnyDesk, and whether he was buying cryptocurrency. Mr L answered no to all these questions. I'm satisfied the questions Mr L was asked on this occasion were probing and relevant and that the answers he gave were misleading and prevented Revolut from detecting the scam.

I'm also satisfied that he'd have given the same response if Revolut had asked similar questions on 6 April 2023, so I don't think an earlier intervention would have made any difference. And there's nothing to suggest a later intervention would have had a different result.

Mr L's representative has argued that the fact the £9,000 transfer on 11 April 2023 was ultimately declined shows that a better intervention from Revolut would have stopped the scam. But the payment was declined notwithstanding the fact Mr L lied about the circumstances of the payment in those circumstances I remain satisfied that an earlier intervention wouldn't have stopped the scam.

Finally, Mr L's representative has argued that Revolut ought to have been concerned about the screenshot he sent to the live chat on 11 April 2023, but it's clear to me that the agent thought Mr L was confused about which payment was cancelled, because he explained that the payment from Revolut 'for your friend' was pending. And even if it had questioned him about the message, I've no doubt Mr L would have been guided by the scammer on how to respond.

Recovery

I'm satisfied that Revolut attempted to recover the funds, but no funds remained. Mr L's own testimony supports that he used cryptocurrency exchanges to facilitate the transfers. It's only possible to make a chargeback claim to the merchant that received the disputed payments. It's most likely that the cryptocurrency exchange would have been able to evidence they'd done what was asked of them. That is, in exchange for Mr L's payments, they converted and sent an amount of cryptocurrency to the wallet address provided. So, any chargeback was destined fail, therefore I'm satisfied that Revolut's decision not to raise a chargeback request against the cryptocurrency exchange company was fair.

Compensation

The main cause for the upset was the scammer who persuaded Mr L to part with his funds. I haven't found any errors or delays to Revolut's investigation, so I don't think he is entitled to any compensation.

Overall, I'm satisfied Revolut took the correct steps prior to the funds being released – as well as the steps it took after being notified of the potential fraud. I'm sorry to hear Mr L has lost money and the effect this has had on him. But for the reasons I've explained, I don't think Revolut is to blame for this and so I can't fairly tell it to do anything further to resolve this complaint.

My final decision

For the reasons I've outlined above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 24 April 2025.

Carolyn Bonnell
Ombudsman