

The complaint

Mrs K complains that Revolut Ltd won't refund the money she lost when she was the victim of a scam.

What happened

In June 2023, Mrs K received a text message from someone who said they were from a recruitment agency and had a potential job for her. Mr K replied that she was interested and was then contacted by someone who said they worked for a hotel marketing company. She was told the job involved helping hotels increase their review ratings and reputation, and that she would be paid commission for each set of tasks he completed.

Mrs K was given access to the marketing company's platform, where she could see the tasks she could complete and the commission she had earned. And she was shown how to buy cryptocurrency, which she would use to pay for some of the tasks she was to complete. Mrs K then made a number of payments from her Revolut account to purchase cryptocurrency, which she then sent on to wallet details she was given for the marketing company.

I've set out the payments Mrs K made from her Revolut account below:

Date	Details	Amount
15 June 2023	To 1 st cryptocurrency exchange	£5
15 June 2023	To 2 nd cryptocurrency exchange	£40
16 June 2023	To 2 nd cryptocurrency exchange	£50
17 June 2023	To 2 nd cryptocurrency exchange	£70
17 June 2023	To 2 nd cryptocurrency exchange	£90
17 June 2023	To 2 nd cryptocurrency exchange	£190
18 June 2023	To 2 nd cryptocurrency exchange	£200
18 June 2023	To 2 nd cryptocurrency exchange	£540
18 June 2023	To 2 nd cryptocurrency exchange	£1,225
18 June 2023	To 2 nd cryptocurrency exchange	£20
18 June 2023	To 2 nd cryptocurrency exchange	£1,410
18 June 2023	To 2 nd cryptocurrency exchange	£50
18 June 2023	To 2 nd cryptocurrency exchange	£3,630
18 June 2023	To 2 nd cryptocurrency exchange	£100
18 June 2023	To 2 nd cryptocurrency exchange	£2,000
18 June 2023	To 2 nd cryptocurrency exchange	£4,500
18 June 2023	To 2 nd cryptocurrency exchange	£2,000
19 June 2023	To 2 nd cryptocurrency exchange	£2,000
19 June 2023	To 2 nd cryptocurrency exchange	£2,000
19 June 2023	To 2 nd cryptocurrency exchange	£2,000
19 June 2023	To 2 nd cryptocurrency exchange	£2,700
19 June 2023	To 2 nd cryptocurrency exchange	£1,000
20 June 2023	To 2 nd cryptocurrency exchange	£1,900
20 June 2023	To 2 nd cryptocurrency exchange	£1,600

20 June 2023	To 2 nd cryptocurrency exchange	£1,600
21 June 2023	To 2 nd cryptocurrency exchange	£2,000
21 June 2023	To 2 nd cryptocurrency exchange	£2,400
21 June 2023	To 2 nd cryptocurrency exchange	£3,300
21 June 2023	To 2 nd cryptocurrency exchange	£50

Unfortunately, we now know the marketing company was a scam. The scam was uncovered after the company told Mrs K she had to pay several large amounts of money before she could complete the tasks she had been given or withdraw the money the platform said she had made. Mrs K then realised she had been the victim of a scam and asked Revolut to refund the money she had lost.

Revolut investigated but said it didn't think it was at fault for processing the payments Mrs K had authorised. So it didn't agree to refund the money she had lost. Mrs K wasn't satisfied with Revolut's response, so referred a complaint to our service.

One of our investigators looked at the complaint. They felt Revolut should have done more to protect Mrs K before she made the thirteenth payment here and that, if it had done so, she wouldn't have lost the money she did from this point on. But they also felt it would be fair for Mrs K to share responsibility for her loss. So they recommended Revolut refund 50% of the money Mrs K had lost, from the thirteenth payment onwards. Mrs K accepted our investigator's recommendation, but Revolut disagreed so the complaint has been passed to me.

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 Mrs K 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 from 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 fraud¹;
- 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.

I am also mindful that:

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/

- 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 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

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.

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

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.

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 from 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;
- 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 from June 2023, Revolut should in any event have taken these steps.

Should Revolut have recognised that Mrs K was at risk of financial harm from fraud?

The first few payments Mrs K made as a result of the scam here weren't for particularly large amounts, or for particularly unusual amounts when compared to the previous activity on her account. I also don't think there was anything else particularly unusual or suspicious about them. So I wouldn't have expected Revolut to recognise that she was at risk of financial harm from fraud as a result of them.

I'm satisfied Revolut ought to have recognised that Mrs K was at heightened risk of financial harm from fraud when she tried to make the eleventh payment here, for £1,410 on 18 June 2023. At this point Mrs K had tried to make eight payments over the previous two days, all to the same payee, and for steadily increasing amounts – which matches a pattern of payments often seen when customers are falling victim to a scam. The payments were also identifiably related to cryptocurrency which, around this time, I think Revolut ought to have been aware meant they carried an elevated risk of being related to a fraud or scam.

I think a proportionate response to the risk I think Revolut should have identified at this point would have been for it to provide Mrs K with a tailored written warning about cryptocurrency scams. But as the scam Ms K was falling victim to wasn't common or well-known at that point and was a very specific type of employment or advance-fee scam, I wouldn't have expected the warning Revolut gave to specifically cover it or to highlight the key features of this kind of scam or give specific advice on any steps Mrs K could take to check whether what she was being told was genuine.

And so I don't think it's likely the warning I would've expected Revolut to provide at this point would've seemed particularly relevant to Mrs K, and I think it's unlikely it would have resonated with her or impacted her decision about whether to continue making the payments. And so I think she would likely still have continued to make the payments she did here.

However, I think Revolut should also have identified a further risk that Mrs K was at heightened risk of financial harm from fraud when she tried to make the thirteenth payment here, for £3,630 on 18 June 2023. This payment was for a larger amount, and was significantly larger than any other payment Mrs K had ever made out of her account. Mrs K had also continued making payments to the same identifiably cryptocurrency-related payee, and the payments had started to increase in size significantly again.

So even if Revolut had provided the written warning I would've expected when Mrs K tried to make the eleventh payment, I think it should have identified an increased risk here when she tried to make the thirteenth payment and taken additional steps before allowing it to debit her account.

I think a proportionate response to this further risk I think Revolut should have identified at this point would have been for it to have attempted to establish the circumstances surrounding the payment before allowing it to debit Mrs K's account. And I think it should have done this by, for example, directing her to its in-app chat to discuss the payment further.

If Revolut had attempted to establish the circumstances surrounding the thirteenth payment, would the scam have come to light and Mrs K's loss been prevented?

Had Mrs K told Revolut she was purchasing cryptocurrency as part of a job she had been unexpectedly contacted about, I think it would immediately have recognised that she was falling victim to a scam. It would then have been able to provide a very clear warning and, given that Mrs K had no desire to lose her money, it's very likely she would have stopped making the payments and her loss would have been prevented from that point.

So I've considered whether Mrs K would have revealed she was purchasing cryptocurrency as part of a job. As the payments she was making were identifiably going to a cryptocurrency exchange, the fact that she was purchasing cryptocurrency should have been immediately obvious to Revolut. From what I've seen of her communication with the scammers, Mrs K doesn't appear to have been given a cover story or told to mislead Revolut in any way if asked about the payments – although because there was no real scrutiny of the payments by Revolut, this may not have been required. Mrs K also appears to have thought the job she was doing was genuine and legitimate, and appears to have told her friends and family about it when trying to borrow money from them to pay the amounts she was told she needed to for the job.

And so I don't think there's any compelling evidence here that Mrs K would have misled Revolut about the purpose or circumstances of the payments if asked, and I think she would likely have honestly answered any questions she was asked. So if Revolut had asked open-ended and probing questions to establish the circumstances surrounding this thirteenth payment, as I think it should have done, I think it would have learned that Mrs K was making the payment as part of a job she thought she was doing and that she had been contacted about the job unexpectedly.

As this bears many hallmarks of a scam, such as being contacted unexpectedly and being asked to pay upfront for significant later returns, I think Revolut would then have recognised

that Mrs K was falling victim to a scam and provided her with a clear warning that genuine employers wouldn't contact her in this way or ask for these kind of payments to carry out work.

And as Revolut is the expert in financial matters in this situation, I think it's warning would have carried significant weight with Mrs K. She also wouldn't want to lose any further money. So I think the warning would likely have caused her to not make any further payments to the scammers and prevented any further loss she suffered from this point onwards.

I'm satisfied that had Revolut established the circumstances surrounding this fourteenth payment, as I think it ought to have done, and provided a clear warning, Mrs K's loss from and including this payment would have been prevented.

Is it fair and reasonable for Revolut to be held responsible for some of Mrs K's loss?

In reaching my decision about what is fair and reasonable, I have taken into account that Mrs K paid money using her Revolut account to another account in her own name with a cryptocurrency exchange, rather than directly to the fraudster. So she remained in control of her money after she made the payments, and there were further steps before the money was lost to the scammer.

But as I've set out in detail above, I think that Revolut still should have recognised that Mrs K might have been at risk of financial harm from fraud when she made the payment on 18 June 2023, and in those circumstances it should have taken steps to establish the circumstances surrounding the payment. If it had taken those steps, I am satisfied it would have prevented the losses Mrs K suffered from that point on. The fact that the money used to fund the scam came from elsewhere and wasn't lost at the point it was transferred to Mrs K's own account does not alter that fact and I think Revolut can fairly be held responsible for Mrs K's 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 Mrs K has only complained against Revolut. I accept that 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 Mrs K could instead, or in addition, have sought to complain against those firms. But Mrs K has not chosen to do that and ultimately, I cannot compel her to. In those circumstances, I can only make an award against Revolut.

I'm also not persuaded it would be fair to reduce a consumer's compensation in circumstances where: the consumer has only complained about one respondent from which they are entitled to recover their losses in full; has not complained against the other firm (and so is unlikely to recover any amounts apportioned to that firm); 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 Mrs K's loss from the payment of 18 June 2023 onwards (subject to a deduction for consumer's own contribution which I will consider below).

Should Mrs K bear any responsibility for her loss?

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 appreciate this was a sophisticated scam, where Mrs K was initially contacted by someone who claimed to be from a recruitment company before then being contacted by the scam marketing company. And she was given access to a platform where she could see the tasks she could complete and the commission she had earned. But I also think there were a number of things about what was happening and what she was told that should have caused Mrs K significant concern.

From what I've seen of her communication with the scammers, I don't think the explanations Mrs K was given about the work she would be doing, why she needed to pay for it in advance, or why the money needed to be sent in cryptocurrency, were particularly clear. And I don't think Mrs K had a particularly clear understanding of these things either. And while it may have been reasonable for her to make some of the smaller initial payments, at the point I think Revolut should have identified a risk, she was sending the marketing company a significant amount of money. And I think it would be reasonable to expect Mrs K to have made sure she got a more thorough explanation and clearer understanding of these things before sending this amount of money.

Mrs K was also told she had earned a significant amount of money in only a few days, which I don't think was plausible. And the amount she was told she had earned and could continue to earn was very high for what appears to be relatively little and relatively straightforward work. So I think this should have caused Mrs K significant concern that what she was being told was too good to be true.

Mrs K had also been told at this point that some of the tasks she had been given to complete were worth more commission to her than others, but that she had to pay significantly more money in before she could complete these tasks and she couldn't be paid any of the money she had earned for completing previous tasks until she did so. The allocation of these tasks to her was also out of her control and seemingly random. And I think work being allocated in this way and her being required to pay such significant amounts to complete it, or even be paid for other work she had done previously, isn't how I would expect a genuine employer to operate. So I think this should also have caused Mrs K significant concern about whether what she was being told was genuine.

I sympathise with the position Mrs K has found herself in and recognise that she has been the victim of a cruel scam. But I think there were a number of things here which should have caused her significant concern, and I don't think she did enough to satisfy those concerns or that the seemingly genuine parts of the scam should have been enough to overcome them.

So I think it would be fair and reasonable for her to bear some responsibility for the loss she suffered.

I therefore think both Mrs K and Revolut should bear some responsibility, and so it would be fair for Revolut to refund 50% of the money Mrs K lost – from the fourteenth payment onwards.

My final decision

For the reasons set out above, I uphold this complaint in part and require Revolut Ltd to:

- Refund Mrs K 50% of the money she lost as a result of this scam, from the fourteenth payment onwards – for a total of £17,390.

- Pay Mrs K 8% simple interest on this refund, from the date of the payments until the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 10 April 2025.

Alan Millward
Ombudsman