

The complaint

Mr A is being represented by solicitors. He's complaining about Revolut Ltd because it declined to refund money he lost as a result of fraud.

What happened

Sadly, Mr A fell victim to a cruel investment scam. He says he saw an advert on social media for a company offering to help generate investment returns and registered his interest. He was then contacted by the scammer who guided him through the registration process and set him up with access to a portal showing details of his fake investments and profits. Between May and June 2022, Mr A made the following payments to the scam from his Revolut account:

No.	Date	Payee	Amount £	Type
1	21 May	Crypto exchange	1,000	Card
2	22 May	Crypto exchange	2,000	Card
3	13 June	Another EMI	400	Transfer
4	14 June	Another EMI	12,500	Transfer
5	14 June	Another EMI	12,500	Transfer

Mr A has told us that the first two payments were to invest on the scam company's platform. But he says payments 3 to 5 were to cover fees and other costs that would enable him to withdraw the profits he was supposed to have earned.

Payments 1 and 2 went to a known cryptocurrency exchange. Payments 3 to 5 went to another Electronic Money Institution (EMI) that processes payments on behalf of cryptocurrency exchanges as well as providing other services. Mr A's Revolut account history shows he also received a payment of £402.10 back from the cryptocurrency exchange on 13 June 2022.

Our investigator recommended the complaint be upheld. She felt Revolut should have identified Mr A may be falling victim to a scam when it received the instruction for payment 4 and that, if it had contacted him to discuss the payment before debiting this from his account, the scam would have been stopped at that point.

Mr A accepted the investigator's assessment. Revolut didn't. In defending this complaint it's made the following key points:

- It doesn't owe a duty to prevent fraud and scams.
- The payment was authorised by Mr A using the 3DS system.
- Mr A paid money to accounts in his own name, meaning the fraud didn't occur on its platform. This also means the payment wasn't covered by the Contingent Reimbursement Model Code (the CRM Code).
- The payments weren't unusual for this type of account.

- Mr A was negligent in not carrying out appropriate due diligence before investing.

The complaint has now been referred to me for review.

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 overall conclusions as the investigator, and for broadly the same reasons. In deciding what's fair and reasonable, I'm 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. I haven't necessarily commented on every single point raised but concentrated instead on the issues I believe are central to the outcome of the complaint. This is consistent with our established role as an informal alternative to the courts.

In this case, there's no dispute that Mr A authorised the above payments.

In broad terms, the starting position at law is that an EMI such as Revolut is expected to process payments a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of their account. In this context, *'authorised'* essentially means the customer gave the business an instruction to make a payment from their account. In other words, they knew that money was leaving their account, irrespective of where that money actually went.

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 A 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"* (Section 20).

So, Revolut was required by the implied terms of its contract with Mr A and the Payment Services Regulations to carry out his 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 immediately¹. 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 by May 2022 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;²
- 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; and
- 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)³.
- 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

¹ The Payment Services Regulation 2017 Reg. 86(1) 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).

² 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/

³ 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.

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 Code⁴, 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

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 by May 2022 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;
- 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; and
- 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).

Taking these points into account, I need to decide whether Revolut acted fairly and reasonably in its dealings with Mr A.

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

This analysis is focussed on the situation regarding transfers as this was the nature of the payment where I think Revolut should have been able to stop the fraud for reasons I'll come to. I appreciate the situation is slightly different for card payments but I haven't covered this here as the differences don't affect my view on the outcome of the complaint.

I also note Revolut's reference to the payments being authenticated by the 3DS system. But it's my understanding this is designed to verify the identity of the payee and it's not in dispute that Mr A made the payments in this case. While this system may help prevent scams where someone else tries to make a payment without the consumer's knowledge, I don't think Revolut can reasonably rely on it to prevent the type of scam where a consumer is tricked into making a payment themselves.

Should Revolut have recognised that Mr A was at risk of financial harm from fraud?

One of the key features of a Revolut account is that it facilitates payments that often involve large amounts and sometimes the purchase of cryptocurrency. And I must take into account that many similar payment instructions it receives will be entirely legitimate.

Having considered what Revolut knew about payments 1 to 3 at the time it received the payment instructions, particularly as the amounts involved were relatively low, I'm not persuaded it ought to have been particularly concerned about them. So I can't say it was at fault for processing the payments in line with Mr A's instructions.

But by the time of payment 4, I think Revolut should have identified that Mr A may be at risk of harm from fraud and intervened before paying the money away. I realise the payment administrator also offered other services, so Revolut couldn't have known for certain the money would end up with a cryptocurrency exchange. But nonetheless, this was a large payment and was much higher than any other payments Mr A had made since opening the account in 2020, meaning it was out of character compared to previous activity.

What did Revolut do to warn Mr A?

Aside from asking Mr A to confirm he knew and trusted the payee when he registered a new payee, Revolut has confirmed that it didn't identify payment 4 as suspicious or carry out any further intervention before debiting the money from his account

What kind of warning should Revolut have provided?

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

If Revolut had intervened in the way I've described, would that have prevented the losses Mr A suffered from payment 4?

From the evidence provided, including Mr A's communication with the scammer, I've seen nothing to indicate he wouldn't have answered honestly if Revolut had asked him about the purpose of the payment. So I think an appropriately skilled Revolut agent should have been able to identify that the money was being paid in connection with an investment.

Once that had been established, the agent ought to have asked further questions and should have been able to establish that Mr A found out about the investment on social media, was

being guided through the process by someone he'd never met, had been set up on a platform that appeared to show he'd made extremely high profits, and was being asked to pay large fees to access these. These are features of many investment scams and should have led the agent to identify Mr A was likely falling victim to a scam.

Once this had been identified, the agent would have been in a position to provide a tailored warning setting out the common features of many investment scams, including those listed above. If he'd been given this information, I think it's likely Mr A would have recognised many of these features applied to his situation and it would have resonated with him. And, on balance, I think it's most likely that his eyes would have been opened to the scam and he'd have ultimately decided not to continue with the payment.

I think it follows that if the scam had been uncovered at the point of payment 4, payment 5 would also have been prevented.

What about the actions of Mr A's bank?

This was a multi-stage fraud that saw Mr A move money from his bank to Revolut and then eventually onto the scammer. This complaint is about Revolut and it's not appropriate for me to comment here on whether or not the bank should have identified he was at risk of harm from fraud and whether it reacted proportionately. But to obtain a full picture of what took place, we have contacted Mr A's bank to establish if it attempted any kind of intervention before transferring his money to Revolut and, if so, how this affects my assessment of whether or not he acted reasonably in the circumstances.

In response, Mr A's bank has told us that it didn't identify the payments to his own account as suspicious and didn't attempt any intervention or provide any scam warnings. It also said Mr A hasn't complained about the bank's role in what took place.

In the absence of any evidence of an intervention by Mr A's bank that should have alerted him to the fact he was speaking to a scammer, I don't think any consideration of the bank's actions would affect my view about how Revolut should have dealt with this situation and whether he acted reasonably in the circumstances with which he was faced.

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

In reaching my decision about what's fair and reasonable, I have taken into account that Mr A paid money using his Revolut account to another account in his own name, rather than directly to the scammer, so he remained in control of the money after he made the payments, and there were further steps before the money was lost to the scammer.

However, for the reasons I've set out above, I'm satisfied it would be fair to hold Revolut responsible for Mr A's loss from payment 4 onwards, subject to a deduction for his own contribution towards this. As I've explained, the potential for multi-stage scams, particularly those involving cryptocurrency, ought to have been well known to Revolut. And as a matter of good practice, I consider it fair and reasonable that it should have been on the look-out for payments presenting an additional scam risk including those involving multi-stage scams.

I have also taken into account that other businesses were involved in the overall process that ended up with payments being made to the scammer, and that Mr A might potentially have a claim against them in respect of their actions (although those businesses are not a party to this complaint and so I make no finding about their role here).

Whilst the dispute resolution rules (DISP) give me the power (but do not compel me) to require a financial business to pay a proportion of an award in circumstances where a

consumer has made complaints against more than one financial business about connected circumstances, Mr A has not referred a complaint about any other business to me and DISP does not empower me to instruct him to make or refer a complaint to me about another business.

Revolut has argued in submissions to our service that we are applying the provisions of the Contingent Reimbursement Model Code (CRM Code) to complaints against it, despite it not being a signatory and in circumstances where the CRM Code would not, in any case, apply. It's also argued that the Payment Systems Regulator's ("PSR") recently introduced mandatory reimbursement scheme would not require Revolut to reimburse in this situation.

I do not seek to treat Revolut as if it were a signatory to the CRM Code. I've explained in some detail the basis on which I think, fairly and reasonably, it ought to have identified Mr A was at risk of financial harm from fraud and taken further steps before payment 4 debited his account.

I'm also aware that the Payment Systems Regulator's ("PSR") mandatory reimbursement scheme wouldn't require Revolut to reimburse Mr A.

The PSR's proposals weren't in place at the time of payment 4 and it's not relevant to my decision about what's fair and reasonable in this complaint. But I don't consider the fact that the PSR didn't make it compulsory for payment service providers to reimburse consumers who transfer money to an account in their own name as part of a multi-stage fraud, means that Revolut shouldn't compensate Mr A in circumstances where it failed to act fairly and reasonably, as I have found was the case here. Indeed, the PSR has recently reminded firms that fraud victims have a right to make complaints and refer them to the Financial Ombudsman Service that exists separately from the intended reimbursement rights and that APP scam victims will still be able to bring complaints where they believe that the conduct of a firm has caused their loss (in addition to any claim under the reimbursement rules).

I do not consider it to be relevant that the circumstances here do not fall under the specific definition of an APP scam set out in the CRM Code, mandatory reimbursement scheme and DISP rules. Those definitions define the scope of the redress schemes and eligibility of payers to claim. They don't preclude me from considering whether Revolut failed to act fairly and reasonably when it made payments 4 and 5 without providing an appropriate warning to Mr A. So, I'm satisfied Revolut should fairly and reasonably have provided a warning or made further enquiries before processing the payment. If it had, it's more likely than not that the scam would have been exposed and Mr A wouldn't have lost any more money. In those circumstances I am satisfied it is fair to hold Revolut responsible for at least some of his loss.

Should Mr A bear any responsibility for his 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.

I've considered the evidence carefully and, while I accept Mr A believed this was a legitimate investment opportunity, I'm not persuaded that belief was a reasonable one throughout the course of the scam.

Based on the information he had at the outset, including a search for online reviews and checking the company's website that apparently said it was authorised by the FCA, I think Mr A was reasonably entitled to believe he was making a genuine investment. But I'm conscious that by the time of payment 4 when he was looking to take money out, he appears to have been being told he'd made extremely high returns and I think he should reasonably have questioned whether this was too good to be true. In addition, he was told payments 4

and 5 were costs he needed to pay to obtain those returns. There's no indication he'd been told about costs to withdraw previously and in the circumstances, I think he ought to have proceeded only with great caution. If he'd carried out any further research, for example online searches, I think he'd have quickly discovered his circumstances were similar to those commonly associated with investment fraud. Overall, I think it's fair and reasonable for Revolut to make a 50% deduction from the redress payable.

Recovery of funds

I've also looked at whether Revolut could or should have done more to try and recover Mr A's losses once it was aware that the payments were the result of fraud.

Revolut's chat history shows Mr A reported the scam on 20 June 2022, nearly a week after the last payment. It's a common feature of this type of scam that the fraudster will move money very quickly to other accounts once received to frustrate any attempted recovery and I don't think anything that Revolut could have done differently would likely to have led to those payments being recovered successfully after this period of time.

Further, Mr A transferred funds to a legitimate cryptocurrency account in his own name. From there, he purchased cryptocurrency and moved it onto a wallet address of his choosing (albeit on the scammers' instructions). If Revolut tried to recover the funds, it could only have tried to do so from Mr A's own account and it appears all the money had already been moved on and, if not, anything that was left would still have been available to him to access in any event.

As some of the payments outlined above were card payments, I've considered whether Revolut should have tried to recover the money through the chargeback scheme. This is a voluntary agreement between card providers and card issuers who set the scheme rules and is not enforced by law. A chargeback isn't guaranteed to result in a refund, there needs to be a right to a chargeback under the scheme rules and under those rules the recipient of the payment can defend a chargeback if it doesn't agree with the request.

We'd only expect Revolut to have raised a chargeback claim if it was likely to be successful and it doesn't appear that would have been the case here. Mr A paid a legitimate cryptocurrency exchange and would have received a service that involved changing his money into cryptocurrency before sending it to the wallet address he supplied it with. Mr A's disagreement is with the scammer, not the cryptocurrency exchange and it wouldn't have been possible for Revolut to process a chargeback claim against the scammer as he didn't pay them directly.

In conclusion

For the reasons I've explained, I don't think Revolut acted fairly and reasonably in its dealings with Mr A and I'm upholding this complaint in part. While I don't think it acted incorrectly in processing payments 1 to 3 in line with Mr A's instructions, if it had carried out an appropriate intervention before payment 4 debited his account, I'm satisfied payments 4 and 5 would have been prevented.

Putting things right

The principal aim of any award I make must be to return Mr A to the position he'd now be in but for the errors or inappropriate actions of Revolut, while allowing for any responsibility he should reasonably bear. If Revolut had carried out an appropriate intervention as I've described, I'm satisfied the scam would have been stopped and Mr A would have retained the money that was lost from payment 4 onwards. As outlined above, I've applied a 50%

deduction to the amounts to be refunded in recognition of Mr A's own contribution towards the loss.

I am aware Mr A received money back in connection with the scam. But this payment was received before payment 4 was made, meaning it relates to his earlier payments to the scam. I haven't taken it into account in the compensation to be paid for that reason.

To put things right, Revolut should pay Mr A compensation of A + B, where:

- A = a refund of 50% of each of payments 4 and 5 outlined above; and
- B = simple interest on each amount being refunded in A at 8% per year from the date of the corresponding payment to the date compensation is paid.

Interest is intended to compensate Mr A for the period he was unable to use this money. HM Revenue & Customs (HMRC) requires Revolut to deduct tax from any interest. It must provide Mr A with a certificate showing how much tax has been deducted if he asks for one.

I'm satisfied this represents a fair and reasonable settlement of this complaint.

My final decision

My final decision is that I partly uphold this complaint. Subject to Mr A's acceptance, Revolut Ltd should now put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 18 June 2025.

James Biles
Ombudsman