

The complaint

Mr C complains that Revolut Ltd (Revolut) is refusing to refund him the amount he lost as the result of a scam.

Mr C is being represented by a third party. To keep things simple, I will refer to Mr C throughout my decision.

What happened

The background of this complaint is well known to all parties, so I won't repeat what happened in detail.

In summary, Mr C found an advertisement online for a company I will call "X", endorsed by a well-known celebrity specialising in cryptocurrency investment. Mr C then went to X's website that appeared professional and legitimate.

Having performed a brief online search on X and found nothing of concern Mr C decided to make an investment. X persuaded Mr C to make a relatively small investment of £250 from an account he held elsewhere which appeared to make a reasonable return. This built Mr C's confidence that he was dealing with a legitimate company.

X then persuaded Mr C that he could make more profit if he invested more. As part of the investment process Mr C was required to download screen sharing software and was instructed to open an account with Revolut, as well as accounts with cryptocurrency exchanges.

Having made several payments as instructed by X, Mr C was unable to contact X further and realised, he had fallen victim to a scam.

Mr C made the following payments in relation to the scam:

Payment	Date	Payee	Payment Method	Amount
1	18 May 2023	Payward Ltd	Credit	£14.06cr
2	18 May 2023	Kracken	Debit Card	£1,000.00
3	21 May 2023	Payward Ltd	Credit	£918.94cr
4	14 June 2023	Binance	Debit Card	£500.00
5	5 July 2023	Binance	Debit Card	£400.00
6	5 July 2023	Binance	Debit Card	£5,000.00 declined
7	5 July 2023	Binance	Debit Card	£4,900.00 declined
8	5 July 2023	Noble Trading	Transfer	£5,000.00

Our Investigator considered Mr C's complaint and thought it should be upheld in part. Revolut didn't agree, in summary it said:

- It is relevant to consider the possibility of other banks interventions
- The payments were in line with the intended purpose of the account
- Mr C gave an incorrect payment purpose
- The recommended outcome is irrational and fails to take into account the core

- purpose of asking the customer for the reason behind a payment in the first place
- Additional warnings would not have made a difference

As an informal outcome could not be agreed this complaint has been passed to me to decide.

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.

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In deciding what's fair and reasonable, I am required to take into account relevant law and regulations, regulators' rules, guidance and standards, and codes of practice; and, where appropriate, I must also take into account what I consider to have been good industry practice at the time.

In broad terms, the starting position at law is that an Electronic Money Institution ("EMI") such as Revolut is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

And, as the Supreme Court has recently reiterated in *Philipp v Barclays Bank UK PLC*, subject to some limited exceptions banks have a contractual duty to make payments in compliance with the customer's instructions.

In that case, the Supreme Court considered the nature and extent of the contractual duties owed by banks to their customers when making payments. Among other things, it said, in summary:

- The starting position is that it is an implied term of any current account contract that, where a customer has authorised and instructed a bank to make a payment, it must carry out the instruction promptly. It is not for the bank to concern itself with the wisdom or risk of its customer's payment decisions.
- At paragraph 114 of the judgment the court noted that express terms of the current account contract may modify or alter that position. In *Philipp*, the contract permitted Barclays not to follow its consumer's instructions where it reasonably believed the payment instruction was the result of APP fraud; but the court said having the right to decline to carry out an instruction was not the same as being under a legal duty to do so.

In this case, the terms of Revolut's contract with Mr C modified the starting position described in *Philipp*, by expressly requiring Revolut to refuse or delay a payment "if legal or regulatory requirements prevent us from making the payment or mean that we need to carry out further checks".

So Revolut was required by the implied terms of its contract with Mr C and the Payment Services Regulations to carry out their instructions promptly, except in the circumstances set out in its contract, which included where regulatory requirements meant it needed to carry out further checks.

Whether or not Revolut was required to refuse or delay a payment for one of the reasons set

out in its contract, the basic implied requirement to carry out an instruction promptly did not in any event mean Revolut was required to carry out the payments 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 in May to July 2023 fairly and reasonably have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances (irrespective of whether it was also required by the express terms of its contract to do so).

In reaching the view that Revolut should have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances, I am mindful that in practice all banks and EMI's like Revolut do in fact seek to take those steps, often by:

- using algorithms to identify transactions presenting an increased risk of fraud;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;
- 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 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.

¹ The Payment Services Regulation 2017 Reg. 86 states that “the payer's payment service provider must ensure that the amount of the payment transaction is credited to the payee's payment service provider's account by the end of the business day following the time of receipt of the payment order” (emphasis added).

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_further_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.

- 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 in May to July 2023 that Revolut should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;
- have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer;
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment – (as in practice Revolut sometimes does); 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.

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

It isn't in dispute that Mr C has fallen victim to a cruel scam here, nor that he authorised the payments he made.

Whilst I have set out in detail in this decision the circumstances which led Mr C to make the payments using his Revolut account and the process by which that money ultimately fell into the hands of the fraudster, I am mindful that, at that time, Revolut had much less information available to it upon which to discern whether any of the payments presented an increased risk that Mr C might be the victim of a scam.

With the above in mind, I don't think Revolut would reasonably have had concerns when Mr C made the first payments in relation to the scam. While the payments were going to a known cryptocurrency exchange the payments were relatively low in value and I wouldn't expect Revolut to intervene every time one of its customers makes a relatively low payment to a genuine merchant.

However, when Mr C made payment 8 for the higher value of £5,000, he had already had two payments declined by Revolut that he had attempted to a well-known cryptocurrency exchange. Revolut had identified these payments as high risk.

So, I think Revolut should have had concerns that this third attempt to send a large payment also presented a high risk of financial harm and it should have intervened.

What did Revolut do to warn Mr C?

When Mr C made payment 8 he was required to give a payment purpose and selected the purpose from a list provided as "Payment for Goods and Services". The options "Investment" and "Cryptocurrency" were also available.

Mr C was then provided with warning screens specific to the payment purpose he had selected which were not relevant to the scam.

What kind of warning should Revolut have provided?

I think it can be argued that other more accurate options were available for Mr C to choose when selecting a payment purpose for payment 8.

But Mr C had two cryptocurrency related payments declined within a short time of payment 8 for similar values. Considering the risk associated with these payments, and the values being significant, I think Revolut should reasonably have had concerns that Mr C was at risk of financial harm.

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

If Revolut had attempted to establish the circumstances surrounding payment 8, would the scam have come to light and Mr C's loss been prevented?

Mr C has told us that he doesn't recall giving the payment purpose as "Goods and Services" and I think that while there were more accurate options available this option was not entirely unreasonable considering he had been purchasing cryptocurrency and using X's services to invest.

Nonetheless, had Revolut intervened in the way I think it should have and Mr C told Revolut that he had found X online via an advertisement that had been endorsed by a celebrity, and was being helped via screen sharing software, using a broker that had encouraged him to open a Revolut account, it would have immediately recognised that he was falling victim to a scam. It would have been able to provide a very clear warning and, given that Mr C had no desire to lose his money, it's very likely that he would have stopped, not followed the fraudster's instructions and his loss would have been prevented.

So, I've considered whether Mr C would have revealed the circumstances leading to the payments. I haven't seen any evidence that Mr C was given a cover story when making the payments, but I also accept that because there was no real scrutiny of the transactions by Revolut, this may not have been required.

Ultimately, as Revolut didn't question the payments Mr C made, it can provide no compelling evidence that he would have misled it about the circumstance behind the payments.

So, Revolut should, once it had established why Mr C was making the payments, provided a very clear warning that explained, it was likely Mr C was falling victim to a scam.

I think, on the balance of probabilities, that's likely to have caused Mr C to stop. He didn't want to lose his money, and I can see no reason for him to have continued to make the payment if he was presented with a warning of this nature.

I'm satisfied that had Revolut established the circumstances surrounding payment 8, as I think it ought to have done, and provided a clear warning, Mr C's loss from and including payment 8 would have been prevented.

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

In reaching my decision about what is fair and reasonable, I have taken into account that Mr C purchased cryptocurrency, rather than making a payment directly to the fraudsters. So, he remained in control of his money after he made the payments from his Revolut account, and it took further steps before the money was lost to the fraudsters.

I have carefully considered Revolut's view that in a multi-stage fraud, a complaint should be properly considered only against either the firm that is a) the 'point of loss' – the last point at which the money (or cryptocurrency) remains under the victim's control; or b) the origin of the funds – that is the account in which the funds were prior to the scam commencing. It says it is (in this case and others) merely an intermediate link – being neither the origin of the funds nor the point of loss and it is therefore irrational to hold it responsible for any loss. In reaching my decision, I have taken into account that the payments were made to another financial business and that the payments that funded the scam were made from other accounts at regulated financial businesses.

But as I've set out above, I think that Revolut still should have recognised that Mr C might have been at risk of financial harm from fraud when he made payment 8, and in those circumstances Revolut should have made further enquiries about the payment before processing it. If it had done that, I am satisfied it would have prevented the losses Mr C suffered. The fact that the money used to fund the scam came from elsewhere and/or wasn't lost at the point it was transferred to Mr C's own account does not alter that fact and I think Revolut can fairly be held responsible for Mr C'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 Mr C 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 Mr C could instead, or in addition, have sought to complain against those firms. But Mr C has not chosen to do that and ultimately, I cannot compel him to. In those circumstances, I can only make an award against Revolut.

I'm also not persuaded it would be fair to reduce Mr C'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 Mr C's loss from payment 8

(subject to a deduction for Mr C's own contribution which I will consider below).

I have also considered that payments were made from another of Mr C's accounts to his Revolut account before being forwarded to the scammer. The originating bank did not intervene when those payments were made and as Mr C didn't raise a complaint against that provider, I've only looked into the case brought to us against Revolut.

Should Mr C bear any responsibility for his loss?

Despite regulatory safeguards, there is a general principle that consumers must still take responsibility for their decisions (see s.1C(d) of our enabling statute, the Financial Services and Markets Act 2000).

In the circumstances, I do think it would be fair to reduce compensation by 50% on the basis that Mr C should share blame for what happened.

I say this because limited information was available about X at the time the payments were made, and limited contact information was provided by X to Mr C, yet he continued to make payments as instructed by it. Mr C also provided a payment reason for payment 8 that was not as accurate as other options that were available to him. He hasn't been able to provide a reason for this.

Had Mr C taken more care and researched X in more detail including the celebrity that had endorsed X I think he would have likely found reasons not to continue with the payments.

In addition to this had Mr C given a more accurate payment reason it is likely he would have been presented with a different intervention by Revolut that may have prevented the scam continuing.

Recovering the payments Mr C made in relation to the scam

Mr C made payments in relation to the scam via transfer and his debit card.

Revolut has limited options available to it to recover payments made by transfer. I can see that Revolut did contact the provider of the recipient account that the transfer was made to, but no funds were available to be recovered.

The payments Mr C made by debit card were made to a legitimate cryptocurrency exchange in exchange for cryptocurrency, and it took further steps for these funds to end up in the hands of the scammer. So, any attempt to recover these payments would have no prospects of succeeding.

Overall, I don't think Revolut had any reasonable options available to it to recover the payments Mr C made in relation to the scam.

Putting things right

To put things right I require Revolut Ltd to:

- Refund payment 8 less a 50% deduction to account for contributory negligence
- Add 8% simple interest to the amount it pays Mr C from the date of loss to the date the payment is made (less any lawfully deductible tax)

My final decision

I uphold this complaint and require Revolut Ltd to put things right by doing what I've explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 27 June 2025.

Terry Woodham
Ombudsman