

The complaint

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

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

What happened

Mr E was contacted by a company called Capital Hub (X). X explained an investment opportunity to Mr E where it would trade on his behalf and persuaded Mr E to make an investment.

Mr E was required to download the remote access software AnyDesk and X opened an account for Mr E on its platform. Mr E started by making a small payment of £168 from an account he held elsewhere. Mr E says he made a significant return of £300 on this initial investment, more than 150% in a very short time. Mr E was then persuaded to invest further and started to make larger payments.

Mr E made a larger payment from another of his accounts for the sum of \$1,500. Mr E says this returned a profit of £2,300 (more than 100%).

Mr E says contact with X stopped for a short time, but he could see his account with X still showed the correct balance. Another person from X contacted him and persuaded him to invest further. Mr E made a further two payments totalling £4,500 which again saw a substantial profit.

Having gained what appeared to be a substantial profit Mr E attempted to make a withdrawal but was told he would have to make a payment equivalent to 25% of the withdrawal first. Mr E says this is when he made several payments that totalled £7,500. This suggests his balance now stood at, at least £30,000.

When the withdrawal was not received, Mr E realised he had fallen victim to a scam.

Mr E made the following payments in relation to the scam from his Revolut account:

<u>Payment</u>	<u>Date</u>	<u>Payee</u>	<u>Payment Method</u>	<u>Amount</u>
1	27 April 2023	MoonPay	Debit Card	£2,000
2	27 April 2023	Foris Dax	Transfer	£2,500
	28 April 2023	Foris Dax	Withdrawal	£70cr
3	2 May 2023	Foris Dax	Transfer	£2,500
4	2 May 2023	Foris Dax	Transfer	£2,600
5	2 May 2023	Foris Dax	Transfer	£2,400

In my provisional decision sent on 18 October 2024 I explained why I didn't think this complaint should be upheld. I said:

"It has not been disputed that Mr E has fallen victim to a cruel scam. The evidence provided by both Mr E and Revolut sets out what happened. What is in dispute is whether Revolut should refund the money Mr E lost due to the scam.

Recovering the payments Mr E made

Mr E made a payment into the scam via his debit card and the remaining payments via the method of transfer. When payments are made by card the only recovery option Revolut has is to request a chargeback.

The chargeback scheme is a voluntary scheme set up to resolve card payment disputes between merchants and cardholders. The card scheme operator ultimately helps settle disputes that can't be resolved between the merchant and the cardholder.

Such arbitration is subject to the rules of the scheme, meaning there are only limited grounds and limited forms of evidence that will be accepted for a chargeback to be considered valid, and potentially succeed. Time limits also apply.

I can see Revolut started the process of making a chargeback claim for the payment Mr E made using his card and I'm unable to see the outcome, but I think it's unlikely this attempt would be successful.

I say this because Mr E was dealing with X, which was the business that instigated the scam. But Mr E didn't make the debit card payment to the scammer directly, he paid a separate cryptocurrency exchange. This is important because Revolut was only able to process chargeback claims against the merchant he paid, not another party.

The service provided by the cryptocurrency exchange would have been to convert or facilitate conversion of Mr E's payment into cryptocurrency. Therefore, it provided the service that was requested; that being the purchase of the cryptocurrency.

The fact that the cryptocurrency was later transferred elsewhere – to the scammer – doesn't give rise to a valid chargeback claim against the merchant Mr E paid. As the cryptocurrency exchange provided the requested service to Mr E any chargeback attempt would likely fail.

When payments are made via transfer Revolut has limited options available to it to seek recovery. It can ask the operator of the receiving account to refund any amounts that remain in the account the payments were sent to. But Mr E made the payments to an account in his own name, so any amounts that did remain would remain within his control.

With the above in mind, I don't think Revolut had any reasonable options available to it to seek recovery of the payments Mr E made in relation to the scam.

Should Revolut have reasonably prevented the payments Mr E made?

It has been accepted that Mr E authorised the payments that were made from his account with Revolut, albeit on X's instruction. So, the starting point here is that Mr E is responsible. However, banks and other Payment Services Providers (PSPs) do have a duty to protect against the risk of financial loss due to fraud and/or to undertake due diligence on large transactions to guard against money laundering.

The question here is whether Revolut should have been aware of the scam and stepped into question Mr E about the payments he was making. And if it had questioned Mr E, would it have been able to prevent the scam taking place.

When Mr E started to make the payments from his Revolut account he had already started to make unrealistic returns that I think should have caused him to have concerns. Mr E had been contacted randomly by X and appeared to have more than doubled his initial investment in a short period of time.

Yet this didn't appear to raise any red flags for Mr E as a simple online search of X would have returned multiple reviews stating X was a scam.

When Mr E did setup a new payee from his Revolut account in relation to the scam payments he selected the reason for the payment as "Investment". At this point Mr E was purchasing cryptocurrency and there was an option for this that he could have selected. However, the payment was also being made as part of the investment process, so I think he made a fairly accurate selection.

Mr E then saw a series of screens before he chose to proceed with the payment. The first screen warned about "Investment scams". It stated:

"Fraudsters could contact you, or you may see an advertisement online, offering you a fake – but often convincing – investment opportunity to make easy money"

The next screen asked, "Are you being scammed" and stated:

"Legitimate investments will never guarantee profit and won't be arranged over social medial. Investment companies will be registered with a regulator such as the Financial Conduct Authority (FCA) in the UK."

While the above warnings were not entirely specific to the scam Mr E was falling victim to, I think Mr E should have taken notice of the parts of the warning that were relevant to his circumstances.

Mr E had been contacted by X claiming to offer an investment opportunity which appeared to be making Mr E a quick and easy profit. I think it would have been reasonable for Mr E to have had concerns at this stage and checked the FCA website, and to have carried out some research, but as I said above, he doesn't appear to have done this.

With the above in mind, I still think it would have been reasonable for Revolut to have intervened when Mr E made payment 4 with a proportionate warning. As the payment was the second Mr E had made that day to the same payee totalling £5,000 and was clearly being made to a cryptocurrency provider which Revolut would have known at the time carried an elevated risk.

I think a proportionate intervention would have been a tailored written warning relevant to cryptocurrency scams that tackled some of the key features of such scams.

In addition to what I've said above Mr E has provided a copy of the messages he exchanged with X via WhatsApp which I understand only account for part of the conversations that took place.

When Mr E was making payments to his Revolut account in association with the scam it appears his other bank intervened.

Mr E messaged X stating:

"They are checking my account to see what is going on, to know if what I said is true"

X responded stating:

“Okay, they might try to trick you, just don’t mention any third parties or investments and that’s it, you are simply transferring money to your different bank”

Following this message Mr E continued with the transfer and multiple other transfers from his Revolut account into the scam as well.

Considering Mr E was willing to continue making payments into the scam having been told by X to be dishonest with his bank, without carrying out any research, I think it’s unlikely a written warning like what I’ve explained above would have prevented Mr E’s loss.

Had Mr E received such a warning, as I think he should have, I think it’s most likely he would have at most referred to X and followed X’s instruction to proceed with the payment.

As I don’t think an appropriate intervention would have prevented the scam it would not be reasonable for me to hold Revolut responsible for Mr E’s loss.”

I gave Mr E and Revolut time to respond to my provisional decision. Mr E responded. In summary he said Mr E’s other bank did not provide an effective intervention and Revolut should have provided a stronger intervention that would have prevented the scam.

Revolut didn’t provide a response within the time allowed.

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.

But as I said in my provisional decision, I think Mr E has shown he was willing to continue making payments into the scam having been shown warnings and having contacted X who advised him to be dishonest.

Mr E also ignored a warning from his other bank, and red flags that I think he should have taken notice of. For these reasons I still don’t think a further intervention from Revolut would have made a difference.

No further evidence has been provided to persuade me that my provisional decision should be changed.

My final decision

I don’t uphold this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr E to accept or reject my decision before 6 December 2024.

Terry Woodham
Ombudsman