

## The complaint

Mr S complains that Revolut Ltd won't refund the money he lost to a scam.

## What happened

The details of this complaint are well known to both parties, so I won't repeat everything again here. However, in brief, Mr S saw an advert for a company that purported to be a crypto trading firm I will call this company B. B offered Mr S a 'trading package' that would guarantee certain levels of profit over time.

Mr S made the following payments to B.

Transaction Number	Date	Amount	Type of payment
1	24 August 2022	£5,000	Transfer
2	25 August 2022	£5,000	Transfer
	26 August 2022	£35.33	Credit Received
3	17 September 2022	£5,000	Transfer
4	19 September 2022	£5,000	Transfer
5	21 September 2022	£10,000	Transfer
6	26 September 2022	£5,000	Exchange to BTC
	26 September 2022	0.02799950	Crypto Withdrawal
7	28 September 2022	£1,000	Card Payment
8	29 September 2022	£4,000	Card Payment
9	12 October 2022	£10,000	Card Payment
10	27 December 2022	£5,000	Card Payment
11	4 January 2023	£5,000	Card Payment
12	13 February 2023	£1,500	Card Payment

Our investigator upheld the complaint because they thought that Revolut should have intervened during payment 2. She thought that at this point Revolut should have issued a warning and asked about the payments being made and this would have prevented the scam. She did though think that Mr S was equally liable for his loss, so she made a 50% deduction.

Revolut disagreed and said the following in summary;

- The payments were not unusual for the type of account Mr S held.
- The transactions were not the point of loss, so the scam did not occur on Revolut's platform.
- We did not consider interventions from the account provider the funds came from and it may have been more appropriate for Mr S to complaint about them.
- It also said that the crypto withdrawal is not within this service's jurisdiction.

## Preliminary matters

- For completeness, I agree that I can't consider cryptocurrency withdrawals in isolation given it's not a regulated activity. But the exchange of fiat money into cryptocurrency, which although not a regulated activity in itself, is one which our service would consider ancillary to payment services. This is in the same way we consider exchanging GBP into foreign currency an ancillary activity.
- Therefore, given the nature of Mr S's complaint, I'm satisfied that I can consider whether Revolut did what it should have, in relation to his funds and account when Mr S used Revolut to exchange his money from GBP to cryptocurrency.

## 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 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 S 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 S 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 immediately<sup>1</sup>. 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 August 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;<sup>2</sup>
- 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).
- 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

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<sup>1</sup> 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).

<sup>2</sup> 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/>

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 Code<sup>3</sup>, 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).
- Since 31 July 2023, under the FCA's Consumer Duty<sup>4</sup>, regulated firms (like Revolut) must act to deliver good outcomes for customers (Principle 12) and must avoid causing foreseeable harm to retail customers (PRIN 2A.2.8R). Avoiding foreseeable harm includes ensuring all aspects of the design, terms, marketing, sale of and support for its products avoid causing foreseeable harm (PRIN 2A.2.10G). One example of foreseeable harm given by the FCA in its final non-handbook guidance on the application of the duty was *"consumers becoming victims to scams relating to their financial products for example, due to a firm's inadequate systems to detect/prevent scams or inadequate processes to design, test, tailor and monitor the effectiveness of scam warning messages presented to customers"*<sup>5</sup>.

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 at time of transaction 2 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 acted to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring all aspects of its products, including the contractual terms, enabled it to do so;
- 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

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

It isn't in dispute that Mr S has fallen victim to a cruel scam here, nor that he authorised the payments he made by transfers to his cryptocurrency wallets (from where that cryptocurrency was subsequently transferred to the scammer).

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<sup>3</sup> BSI: PAS 17271: 2017" Protecting customers from financial harm as result of fraud or financial abuse"

<sup>4</sup> Prior to the Consumer Duty, FCA regulated firms were required to "pay due regard to the interests of its customers and treat them fairly." (FCA Principle for Businesses 6). As from 31 July 2023 the Consumer Duty applies to all open products and services.

<sup>5</sup> The Consumer Duty Finalised Guidance FG 22/5 (Paragraph 5.23)

So I've gone on to consider, taking into account what Revolut knew about the payments, at what point, if any, it ought to have identified that Mr S might be at a heightened risk of fraud that merited its intervention.

In this instance the account was not new, so Revolut should really have been aware of what a normal transaction looked like for Mr S. The first payment was to a new payee and was larger than usual. It was also to a crypto exchange based in Estonia, but I don't think in this instance that it was unusual enough to have prompted an intervention, as Mr S had made crypto related payments before, albeit not as large.

But payment 2 represented £10,000 to a new payee within a short period. It was also crypto related and was unusual enough, in my view, to have prompted an intervention from Revolut. Given this, I think that Revolut should have really been aware that Mr S was at a heightened risk of financial harm.

Having thought carefully about the risk that payment 2 presented, I think that a proportionate response to the risk would be for Revolut to have attempted to establish the circumstances surrounding the payment before allowing it to debit Mr S's account. I think that it should have done this by, for example, directing Mr S to its in-app chat to discuss the payment further.

My understanding is that Revolut did provide a warning about the crypto transfer, but it did not provide a warning during payment. I do not think that this was enough.

*If Revolut had attempted to establish the circumstances surrounding Payment 2, would the scam have come to light and Mr S's loss been prevented?*

As Revolut didn't question the payments Mr S made, it can provide no compelling evidence that he would have misled it about the purpose of the payments or the surrounding circumstances. So I think he would have been forthcoming about what he was making the payments for.

Given that Mr S was falling for a scam that had many common features of a scam, such as being fronted by a celebrity, being asked to install remote access software, being given guaranteed returns and being asked to send crypto to B via a legitimate crypto exchange, rather than the payments being sent directly to B, I think that Revolut would have been able to provide a warning that Mr S was likely being scammed.

I think that such a warning would have resonated with Mr S and the scam would have been stopped.

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

In reaching my decision about what is fair and reasonable, I have taken into account that Mr S purchased cryptocurrency which credited an e-wallet held in his own name, 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 am also mindful that the funds came from a different financial institution before they were paid into Mr S's Revolut account.

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 in, 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. It therefore says it is irrational to hold it responsible for any loss.

In reaching my decision, I have taken into account that the payments for the most part were made to another financial business (a cryptocurrency exchange based in another country) and that the payments that funded the scam were originally made from an account at a regulated financial business.

But as I've set out above, I think that Revolut still should have recognised that Mr S might have been at risk of financial harm from fraud when he made payment 2, 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 S suffered. The fact that the money used to fund the scam came from elsewhere and wasn't lost at the point it was transferred to Mr S's own account, does not alter that fact. And I think Revolut can fairly be held responsible for Mr S'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 firm where the point of loss occurred.

I've also considered that Mr S 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 S could instead, or in addition, have sought to complain against those firms. But Mr S 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 S'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 S's loss from payment 2 (subject to a deduction for Mr S's own contribution which I will consider below).

#### *Should Mr S bear any responsibility for his losses?*

I've thought about whether Mr S should bear any responsibility for his loss connected to the scam. In doing so, I've considered what the law says about contributory negligence, as well as what I consider to be fair and reasonable in all of the circumstances of this complaint. This includes taking into account Mr S's own actions and responsibility for the losses he has suffered.

In this instance, Mr S responded to an advert on social media and without much research installed remote access software and invested around £57,000 in a short period of time.

I can also see that Mr S was promised unrealistic guaranteed returns and risk-free trading – which on their own are a clear red flags and should have prompted him to question if B was a legitimate firm.

Finally, Mr S took out a series of loans to fund his investment and he misled these firms as to what he was borrowing money for and therefore he directly contributed to his own loss.

So I've concluded, on balance, that Revolut can fairly reduce the amount it pays to Mr S because of his role in what happened. Weighing the fault that I've found on both sides, I think a fair deduction is 50%.

### **Could Revolut have done anything else to recover Mr S's money?**

I've also thought about whether Revolut could have done more to recover the funds after Mr S reported the scam. In this instance the funds were transferred to crypto exchanges and then on to the scammer so I don't think Revolut could have recovered the funds. Also the Contingent Reimbursement Model (CRM) does not apply, as Revolut is not part of it.

### **Putting things right**

For the reasons I've explained, I uphold this complaint about Revolut Ltd in part and instruct it to do the following:

1. Refund the money Mr S lost to the scam, from and including payment 2 (including the crypto withdrawal), minus any credits received after this point that relate to the scam. This can then be reduced by 50%; and
2. Pay 8% simple interest per year on the remaining amount of each payment, from the date of each payment was made, to the date of settlement.

If Revolut Ltd considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr S how much it's taken off. It should also give Mr S a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

### **My final decision**

My decision is that I uphold this complaint against Revolut Ltd in part and instruct it to do what I have set out above to put matters right, in full and final settlement of this complaint.

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

Charlie Newton  
**Ombudsman**