

The complaint

Mr S complains that Revolut Ltd didn't do enough to protect him from the financial harm caused by an investment scam, or to help him recover the money once he'd reported the scam to it.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

In July 2023, Mr S was contacted on WhatsApp by someone I'll refer to as "the scammer" who claimed to work for a recruitment agency, which I'll refer to as "A". The scammer told Mr S about an opportunity to work for M, which would involve depositing cryptocurrency as credits on M's optimization platform, "P". He would then be required to promote mobile applications by clicking on various icons.

The scammer told him to open a Revolut account, and an account on P's website where he could view his account, credit score, daily profit, and transaction history. He explained Mr S could earn £1,000 to £2,000 over a 5-day period or £10,000 to £30,000 working full time over 30 days. Mr S didn't think seemed unrealistic and he was satisfied the opportunity was genuine because he'd been looking for work, he found A on google, and was added to a chat group with other doing the same role.

The scammer asked him to first purchase cryptocurrency and then load it onto an online wallet. He transferred funds to Revolut from Bank S, and between 14 July 2023 and 24 July 2023, he made twenty payments to the scam. Some of those payments were to his own cryptocurrency account and some were to individual P2P sellers (there were four card payments and sixteen transfers totalling £36,209.77). When he ran out of funds, Mr S borrowed money from a friend and the scammer offered to pay £15,000 of his own money to fund the tasks. He realised he'd been scammed when he was encouraged by others on the group chat to borrow more money.

He took out a loan to repay his friend £15,000, and complained to Revolut, but it refused to refund any of the money he'd lost. It said it sought recovery of the funds within 24 hours, but the beneficiary banks didn't respond, and it couldn't dispute the transactions because there was no fraud on the account.

It said Mr S was given a new payee warning as follows: *"Do you know and trust this payee? If you're unsure, don't pay them, as we may not be able to help you get your money back"*. The first payment was put on hold and Mr S was sent a questionnaire, asking him about the purpose of the payment and given the option to read more about scams, to cancel the payment, or to proceed with the transfer. He was also shown a message stating the transfer was riskier than most transactions and asked if someone was pressuring him and if he'd been called unexpectedly. He was then put in touch with its support team, where he confirmed he wanted to proceed with the transfer.

Mr S wasn't satisfied and so he complained to this service, stating the new payee warning and questioning was ineffective given he trusted the scammer and felt he hadn't been pressured or called unexpectedly. His representative said money was transferred into the account and immediately out again, which matched a known fraud trend. They said he hadn't been coached to lie, so if Revolut had asked him what the payments were for, it's likely he'd have explained that he was transferring cryptocurrency under the instruction of an employer and the scam would have been revealed.

Revolut said the card payments were authorised by 3DS and so there was no cause for suspicion and that its new payee was warning was sufficient. It blocked eight of the payments and the warnings it gave were proportionate and appropriate. Mr S was asked about the purpose of the transfers, given a link to read more about scam awareness, and given the option to cancel the payment, or agree with the associated risk and continue with the transaction. The payment purpose he gave was either "safe account" or "investment". It also said Mr S failed to take reasonable care and that he should have done more due diligence, particularly as writing fake reviews was unethical, and the commission was unrealistic.

Our investigator recommended that the complaint should be upheld. She thought Revolut should have intervened when Mr S made payment 15 on 20 July 2023 because he was sending £7,000 to a payee which was identifiably linked to cryptocurrency. But she would only expect it to have given a tailored written warning about cryptocurrency investment scams and as he believed the job was legitimate, this wouldn't have resonated with him.

However, she thought it should have intervened again ten minutes later when Mr S made a further payment of £7,250.82 to the same payee because the total of the two payments was over £14,000. She explained that it ought to have had an in-app chat with Mr S and even though he'd misled the loan provider about the purpose of the loan, this was because he wanted to reimburse his friend, and happened after the scam had been uncovered. And she didn't think the scammer had coached him to lie about the payment purpose because scammers don't generally tell victims to enter 'safe account'. So, she didn't think he'd been coached to lie.

She thought Mr S would have explained he was depositing cryptocurrency as part of a job opportunity and Revolut would have detected the scam and provided a relevant warning. And as Mr S had already expressed concerns that the job might be a scam, she was satisfied he'd have listened the warning, and any further loss would have been prevented.

Our investigator recommended that Revolut should refund the money Mr S had lost from payment 16 onwards, but she thought the settlement should be reduced by 50% because he didn't carry out any due diligence. She felt the commission was too good to be true and that he should have questioned why he wasn't asked to sign a contract, why he was being asked to make payments to recover his funds, and why the scammer would lend him money. She also noted that he'd lied in the loan application and that he'd gone ahead with payments after voicing concerns that it might be a scam.

Finally, she was satisfied that Revolut had tried to recover the funds in a timely manner, but it didn't receive a response. And she didn't think he was entitled to any compensation because the trouble and upset he'd experienced was a result of the actions of the scammer. Revolut asked for the complaint to be reviewed by an Ombudsman arguing that the payments were self-to-self payments, the fraud didn't occur on the Revolut platform, and the cryptocurrency platforms were the final stage before Mr S lost control of the funds. It has also stated that it is relevant to consider the actions of the other financial institutions.

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 conclusion as our investigator. And for largely the same reasons.

I'm satisfied Mr S 'authorised' the payments for the purposes of the of the Payment Services Regulations 2017 ('the Regulations'), in force at the time. So, although he didn't intend the money to go to scammers, under the Regulations, and under the terms and conditions of his bank account, Mr S is presumed liable for the loss in the first instance.

There's no dispute that this was a scam, but although Mr S didn't intend his money to go to scammers, he did authorise the disputed payments. Revolut is expected to process payments and withdrawals that a customer authorises it to make, but where the customer has been the victim of a scam, it may sometimes be fair and reasonable for the bank to reimburse them even though they authorised the payment.

Prevention

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.

But, 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 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;
- 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;
- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving and the different risks these can present to consumers, when deciding whether to intervene.

I've thought about whether Revolut could have done more to prevent the scam from occurring altogether. Buying cryptocurrency is a legitimate activity and from the evidence I've seen, the payments were made to genuine cryptocurrency exchanges and cryptocurrency sellers. However, Revolut ought to fairly and reasonably be alert to fraud and scams and these payments were part of a wider scam, so I need to consider whether it ought to have intervened to warn Mr S when he tried to make the payments. If there are unusual or suspicious payments on an account, I'd expect Revolut to intervene with a view to protecting Mr S from financial harm due to fraud.

Revolut has described that Mr S was given new payee warnings and that he was also asked to give a payment purpose and shown educational story messages for eight of the payments. The first fourteen payments were all low value - apart from payment 2 and payment 13, neither of which were identifiable for cryptocurrency - and so I think Revolut did enough.

Payment 15 was £7,000 to a new high-risk cryptocurrency merchant and so Revolut ought to have intervened. A proportionate response would have been to provide a written warning covering some of the key features of cryptocurrency-related investment scams but as Mr S believed he was engaged in an opportunity to earn commission rather than an investment, I don't think this would have resonated with him and he'd have proceeded to make the payment.

However, when Mr S made payment 16 - which was only ten minutes later - because the cumulative value of the two payments was £14,250.82, Revolut should have gone further than a written warning and asked Mr S about the purpose of the payment via its live chat facility.

In determining how he'd have responded to this, I've considered that Mr S misled the loan provider, and I agree the circumstances are different to the extent that I don't think what he said to the loan provider in an effort to secure funds to pay back his friend is good evidence of how he'd have responded to questions from Revolut about a payment he was making out of the account for what he believed was a legitimate opportunity to make money. Similarly, while I accept Mr S said the payments were for 'safe account' or 'investment', this suggests he was just selecting any option in the absence of a more suitable option, as opposed to following instructions to lie.

Significantly, as payment 16 was to a cryptocurrency exchange, Mr S believed the job was genuine, there's no evidence that he ignored any relevant warnings from Bank S, and I'm satisfied he wasn't coached to lie, I think he'd have explained that he was using cryptocurrency to purchase "tasks" which he expected to be paid for, and this would have been enough to indicate to Revolut that he was being scammed. It should then have provided a tailored warning about advance fee scams, covering some of the key features of this type of scam, and, had it done so, I'm satisfied there were enough red flags present - he'd been contacted via WhatsApp and was being asked to pay for tasks in cryptocurrency - for the warning to have resonated with Mr S, and his loss would have been prevented.

As I'm satisfied that Revolut missed an opportunity to intervene and that this represented a missed opportunity to have prevented his loss, I think it should refund the money Mr S lost from payment 16 onwards.

Contributory negligence

Mr S had been looking for work and so I don't think it's unreasonable that he didn't raise questions when the scammer initially contacted him. However, I think he should reasonably have questioned why he was being asked to make payments in cryptocurrency for tasks he expected to be paid for and whether the commission was realistic, considering the role required no experience or training and he wasn't given any employment documents.

Having considered the circumstances of this scam including the fact Mr S was impressed by the genuine looking platform and he was added to a chat group with others doing the same role, I'm satisfied it was sophisticated and I don't think it was unreasonable for him to have thought it was genuine. But there's plenty of information available online which could have alerted him to the scam, and the evidence shows he did have some concerns, so if he'd acted on those concerns, his loss could have been prevented. I therefore agree with our investigator that the settlement should be reduced by 50% for contributory negligence.

Recovery

I'm satisfied that Revolut did what it reasonably could to recover the funds.

Mr S's own testimony supports that he used cryptocurrency exchanges to facilitate the transfers. It's only possible to make a chargeback claim to the merchants that received the disputed payments. It's most likely that the cryptocurrency exchanges would have been able to evidence they'd done what was asked of them. That is, in exchange for Mr S's payments, they converted and sent an amount of cryptocurrency to the wallet address provided. So, any chargeback was destined fail, therefore I'm satisfied that Revolut's decision not to raise a chargeback request was fair.

Compensation

The main cause for the upset was the scammer who persuaded Mr S to part with his funds. I haven't found any errors or delays to Revolut's investigation, so I don't think he is entitled to any compensation.

My final decision

My final decision is that Revolut Ltd should:

- refund the money Mr S lost from payment 16 onwards, less any credits received during the scam period.
- this settlement should be reduced by 50% to reflect contributory negligence.
- pay 8% simple interest*, per year, from the respective dates of loss to the date of settlement.

*If Revolut deducts tax in relation to the interest element of this award it should provide Mr S with the appropriate tax deduction certificate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 April 2025.

Carolyn Bonnell
Ombudsman