

## The complaint

Mrs D is unhappy that Revolut Ltd haven't refunded money she lost as a result of a scam.

Mrs D is being represented by a claims management company but, for ease of reference, I'll only refer to Mrs D here.

## 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.

Mrs D was looking for work when she was contacted by a third-party merchant offering her an online role where she would complete tasks in return for a commission. In total Mrs D made the following payments to the merchant from her Revolut account which she then forwarded to the merchant;

	Date	Type of payment	Amount
	10 August 2023	Transfer to crypto exchange ( <i>not disputed by Mrs D</i> )	£20
	12 August 2023	Card payment to crypto exchange ( <i>not disputed by Mrs D</i> )	£56.25
	12 August 2023	Credit from third-party	£78
1	13 August 2023	Transfer to crypto exchange	£1,200
2	13 August 2023	Transfer to crypto exchange	£1,200
3	13 August 2023	Transfer to crypto exchange	£1,200
4	13 August 2023	Transfer to crypto exchange	£5,250
		<b>Total Loss</b>	<b>£8,850</b>

Mrs D realised she had been scammed when she was asked to make an even larger payment to earn more commission. So, she raised a complaint with Revolut but only for payments one to four. Revolut considered the claim but decided not to offer Mrs D a refund.

Unhappy with that response Mrs D brought her complaint to the Financial Ombudsman. Our Investigator felt the complaint should be upheld in part. She said that Revolut should've stopped payment three and if it had the scam more likely than not would've been uncovered. So, she said Revolut should refund 50% of payments three and four with interest.

Mrs D agreed with the Investigator.

Revolut disagreed and asked for an Ombudsman's review. In summary it said this was a self-to-self payment which meant the fraudulent activity didn't occur on Mrs D's Revolut account and that this service should consider whether there were any other interventions by other banks that funded the Revolut account and complaints raised against those firms.

## 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 agree with the investigator that this complaint should be upheld in part and for largely the same reasons.

Firstly, Mrs D has only disputed payments one to four in the table above with Revolut. So, I've based my decision based upon those payments.

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

I've read and considered the whole file. But I'll concentrate my comments on what I think is relevant. If I don't mention any specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome.

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.

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 August 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.

Whilst I am required to take into account the matters set out at DISP 3.6.4R when deciding what is fair and reasonable, I am satisfied that to comply with the regulatory requirements that were in place in August 2023, Revolut should in any event have taken these steps.

*Should Revolut have recognised that Mrs D was at risk of financial harm from fraud?*

It isn't in dispute that Mrs D has fallen victim to a cruel scam here, nor that she authorised the payments she made by the crypto exchanges (from where that cryptocurrency was subsequently transferred to the scammer).

By August 2023, when these transactions took place, firms like Revolut had been aware of the risk of multi-stage scams involving cryptocurrency for some time. Scams involving cryptocurrency have increased over time. The FCA and Action Fraud published warnings about cryptocurrency scams in mid-2018 and figures published by the latter show that losses suffered to cryptocurrency scams have continued to increase since. They reached record levels in 2022. During that time, cryptocurrency was typically allowed to be purchased through many high street banks with few restrictions.

By the end of 2022, however, many of the high street banks had taken steps to either limit their customer's ability to purchase cryptocurrency using their bank accounts or increase friction in relation to cryptocurrency related payments, owing to the elevated risk associated with such transactions. And by August 2023, when these payments took place, further restrictions were in place. This left a smaller number of payment service providers, including Revolut, that allowed customers to use their accounts to purchase cryptocurrency with few restrictions. These restrictions – and the reasons for them – would have been well known across the industry.

I recognise that, as a result of the actions of other payment service providers, many customers who wish to purchase cryptocurrency for legitimate purposes will be more likely to use the services of an EMI, such as Revolut. And I'm also mindful that a significant majority of cryptocurrency purchases made using a Revolut account will be legitimate and not related to any kind of fraud (as Revolut has told our service). However, our service has also seen numerous examples of consumers being directed by fraudsters to use Revolut accounts in order to facilitate the movement of the victim's money from their high street bank account to a cryptocurrency provider, a fact that Revolut is aware of.

So, taking into account all of the above I am satisfied that by the end of 2022, prior to the payments Mrs D made in August 2023, Revolut ought fairly and reasonably to have recognised that its customers could be at an increased risk of fraud when using its services to purchase cryptocurrency, notwithstanding that the payment would often be made to a cryptocurrency wallet in Mrs D's own name.

To be clear, I'm not suggesting as Revolut argues that, as a general principle (under the Consumer Duty or otherwise), Revolut should have more concern about payments being made to a customer's own account than those which are being made to third party payees.

As I've set out in some detail above, it is the specific risk associated with cryptocurrency in August 2023 that, in some circumstances, should have caused Revolut to consider transactions to cryptocurrency providers as carrying an increased risk of fraud and the associated harm.

In those circumstances, as a matter of what I consider to have been fair and reasonable, good practice and to comply with regulatory requirements, Revolut should have had appropriate systems for making checks and delivering warnings before it processed such payments. And as I have explained Revolut was also required by the terms of its contract to refuse or delay payments where regulatory requirements meant it needed to carry out further checks. Taking all of the above into account, and in light of the increase in multi-stage fraud, particularly involving cryptocurrency, I don't think that the fact most of the payments in this case were going to an account held in Mrs D's own name should have led Revolut to believe there wasn't a risk of fraud.

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

By the time of payment three towards this scam, I think there was enough happening here that Revolut should've been suspicious. By that point Mrs D had sent almost £3,600 to a high-risk cryptocurrency exchange the same day across three separate transactions. Given what Revolut knew about the destination of the payment and velocity of payments here, I think that the circumstances should've led Revolut to consider that Mrs D was at a heightened risk of financial harm from fraud. In line with good industry practice and regulatory requirements, I am satisfied that it is fair and reasonable to conclude that Revolut should have warned Mrs D before this payment went ahead.

*What kind of warning should Revolut have provided?*

I've thought carefully about what a proportionate warning in light of the risk presented would be in these circumstances. In doing so, I've taken into account that many payments that look very similar to this one will be entirely genuine. I've given due consideration to Revolut's duty to make payments promptly, as well as what I consider to have been good industry practice at the time this payment was made.

Taking that into account, I think Revolut ought, when Mrs D attempted to make payment three, knowing that the payment was going to a cryptocurrency provider, to have asked some questions to narrow down the reason for the payment and then provided a warning (whether automated or in some other form) that was specifically about the risk of job scams.

In doing so, I recognise that it would be difficult for such a warning to cover off every permutation and variation of job scams, without significantly losing impact.

So, at this point in time, I think that such a warning should have addressed the key risks and features of the most common job scams. The warning Revolut ought fairly and reasonably to have provided should have highlighted, in clear and understandable terms, the key features of common job scams, for example referring to making payments to gain employment, being paid for 'clicks', 'likes' or promoting products and having to pay increasingly large sums without being able to withdraw any money.

I recognise that a warning of that kind could not have covered off all scenarios. But I think it would have been a proportionate way for Revolut to minimise the risk of financial harm to Mrs D by covering the key features of scams affecting many customers but not imposing a level of friction disproportionate to the risk the payment presented. I acknowledge that any such warning relies on the customer answering questions honestly and openly, but I've seen nothing to indicate that Mrs D wouldn't have done so here.

*If Revolut had provided a warning, would that have prevented the losses Mrs D incurred after that point?*

I've thought carefully about whether a specific warning covering off the key features of job scams would have likely prevented any further loss in this case. And on the balance of probabilities, I think it would have. There were several key hallmarks of job scams present in the circumstances of Mrs D's payments, such as being asked to make payments to gain employment, increase the popularity of an app by completing tasks and sending an increasing amount of money without being able to withdraw commission.

I've found no persuasive evidence to suggest that Mrs D was asked, or agreed to, disregard any warning provided by Revolut. I've also seen no indication that Mrs D expressed mistrust of Revolut or financial firms in general. Neither do I think that the conversation demonstrates a closeness of relationship that Revolut would have found difficult to counter through a warning.

Therefore, on the balance of probabilities, had Revolut provided Mrs D with an impactful warning that gave details about common job scams and how she could protect herself from the risk of fraud, I believe it would have resonated with her. She could have paused and looked more closely into this before proceeding, as well as making further enquiries into these types of scam. I'm satisfied that a timely warning to Mrs D from Revolut would very likely have caused her to take the steps she did take later – revealing the scam and preventing further losses.

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

In reaching my decision about what is fair and reasonable, I have taken into account that Mrs D paid money using her Revolut account to another account in her own name, rather than directly to the fraudster, so she remained in control of her money after she made the payments, and there were further steps before the money was lost to the scammer.

However, for the reasons I have set out above, I am satisfied that it would be fair to hold Revolut responsible for Mrs D's losses that I've set out here. As I have 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 Revolut should have been on the look-out for payments presenting an additional scam risk including those involving multi-stage scams.

But as I've set out in some detail above, I think that Revolut still should have recognised that Mrs D might have been at risk of financial harm from fraud when they made the third payment, and in those circumstances it should have declined the payment and made further enquiries. If it had taken those steps, I am satisfied it would have prevented the losses she 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 Mrs D's own account does not alter that fact and I think Revolut can fairly be held responsible for Mrs D'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'm also not persuaded it would be fair to reduce Mrs D's compensation in circumstances where: she has only complained about one respondent from which they are entitled to recover their losses in full 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 and for the reasons I have set out above, I am satisfied that it would be fair to hold Revolut responsible for Mrs D's loss from payment three.

*Should Mrs D bear any responsibility for their 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. Having done so, I think Mrs D can have her refund reduced here. The investigator said that should be a 50% reduction. To be clear I agree with that reduction. Mrs D was contacted via message about a job opportunity and completed some research. But I think considering what she was told she could earn the commissions she was promised were too good to be true. She was then asked to deposit an even greater amount shortly after which was why she made payment four. The chats between her and the scammer then show her questioning why she had to continue paying larger amounts when she wasn't getting anything back. I

think she should've questioned the activity sooner and if she had the scam could've been uncovered.

So, I think Revolut can reasonably reduce her award by 50% here.

*Could Revolut have done anything else to recover Mrs D's money?*

I've thought about whether Revolut did enough to attempt to recover the money Mrs D lost. But I've seen evidence that her money was sent on to the scammers. So, even if Revolut had attempted to recover that money it wouldn't have been available from the crypto exchanges.

As a result, I don't think Revolut have acted unreasonably by failing to pursue a chargeback claim or try and recover Mrs D's money here.

Mrs D has asked for compensation from Revolut. But I don't think Revolut has caused Mrs D sufficient trouble and upset that it should make a payment to her. Ultimately, this upset was caused by the scammer tricking her into moving her funds.

### **Putting things right**

Revolut should refund 50% of payments three and four here.

In relation to the interest Revolut should add to this refund, I can see that payment four was funded by a loan Mrs D obtained from her husband. Mrs D has repaid some of that money (£4,000) on 15 August 2023. So, because Revolut should refund 50% of the total loss for payment four (£2,625) only £625 of that is Mrs D's personal loss.

So, Revolut should add 8% simple interest to £625 from the date of payment to the date of settlement. Revolut should add 8% simple interest to the remaining £2,000 from payment four from 15 August 2023 to the date of settlement.

### **My final decision**

My final decision is that I uphold this complaint in part. Revolut Ltd must do the following;

- Refund 50% of payments three and four.
- Pay 8% simple interest on the refund for payment three from the date of the payment to the date of settlement.
- Pay 8% simple interest on £625 (part of payment four) from the date of payment to the date of settlement.
- Pay 8% simple interest on £2,000 (part of payment four) from 15 August 2023 to the date of settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 19 June 2025.

Mark Dobson  
**Ombudsman**