

The complaint

Mr H complains that Revolut Ltd ('Revolut') won't refund the money he lost after falling victim to a scam.

What happened

In 2023, Mr H saw an advertisement for an investment on a social media site, for a company I'll refer to as M. The investment involved trading in forex and cryptocurrencies, and Mr H was given an account manager. Mr H says M's website included testimonials from other clients, and the advertisement was endorsed by a high-profile celebrity.

As part of the investment, Mr H was told he needed to open an account with Revolut and B (a cryptocurrency exchange) as well as a trading account with M.

Mr H says he made a small initial investment but was pressured to invest further. After a couple of days his trading account with M was showing a balance of £17,000, so Mr H tried to make a withdrawal. But, Mr H was told that he had to have a balance of at least £50,000 in order to make a withdrawal, and he realised it was a scam.

These are the transactions Mr H made in relation to the scam. Mr H converted GBP to cryptocurrency using Revolut's platform, before it was sent onward. He also made a successful card payment directly to B, as well as a failed card payment to B.

Date	Pmt	Details of transaction	Amount
21.7.2023	1	Purchase of ETH – a cryptocurrency	£2,000.00
21.7.2023		<i>Card payment to B attempted – blocked by Revolut</i>	<i>£3,000.00</i>
24.7.2023	2	Purchase of ETH – a cryptocurrency	£2,178.44
25.7.2023	3	Purchase of ETH – a cryptocurrency	£2,075.81
25.7.2023	4	Card payment to B – a cryptocurrency exchange	£2,000.00
27.7.2023	5	Purchase of ETH – a cryptocurrency	£2,000.00

Mr H raised a fraud claim with Revolut asking that they refund him.

Revolut investigated Mr H's claim but declined to refund him. Revolut said Mr H didn't have chargeback rights on his card payment as he received cryptocurrency, and they aren't responsible for his loss.

Mr H wasn't happy with Revolut's response, so he brought a complaint to our service.

An investigator looked into Mr H's complaint and upheld it, recommending Revolut refund 50% of payments two to five. The investigator felt Revolut should've provided a tailored warning when the card payment to B was declined, and if they had, the scam would've been uncovered. But Mr H should've done more checks and should share liability for his loss with Revolut.

Revolut disagreed with the investigator's opinion and raised the following points:

- Cryptocurrency account movements are not covered by our jurisdiction, and we can't consider a complaint about them.
- These payments were self-to-self as Mr H moved money to an account in his control, and as an intermediary, Revolut shouldn't be held liable.
- The loss didn't occur on Revolut's platform.
- EMI accounts are not used in the same way that bank accounts are, meaning the payments weren't unusual or out of character.
- Our reliance on R (on application of Portal Financial Services LLP) vs FOS [2022] is misconceived and amounts to a legal error.
- We should consider another bank's intervention and whether Mr H ignored any warnings given by that bank.

Revolut asked for an ombudsman to review the case.

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.

Are Mr H's payments in our jurisdiction?

Conversion of funds into cryptocurrency made on Revolut's platform are in our jurisdiction, as an ancillary activity to payment services. This is because Mr H is purchasing cryptocurrency directly from Revolut rather than sending the funds to a cryptocurrency exchange.

The movement of the cryptocurrency out of Revolut's platform, isn't in our jurisdiction. So, I'm only considering the card payments Mr H made to B, and the purchases of cryptocurrency he made on Revolut's platform (as set out in the table above).

The considerations in reaching an answer on Mr H's case

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 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.

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.

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

By July 2023 Revolut ought to have recognised that cryptocurrency related transactions carried an increased risk of the likelihood of the transaction being related to a fraud or scam.

Revolut say they declined the card payment to B on 21 July 2023, as it detected the transaction as suspicious activity. But I'm not satisfied that it took appropriate steps as a result of its own concerns.

I'm not persuaded that Revolut should've intervened on the payments made before or after this payment, taking into account the size of the payments and what Revolut knew about the payments.

What did Revolut do to warn Mr H?

Revolut say Mr H was shown a new payee warning which said:

Do you know and trust X? If you're unsure, don't send to them, as we won't be able to help you get your cryptocurrency back. Remember, fraudsters impersonate others, and we'll never ask you to transfer cryptocurrency.

What kind of warning should Revolut have provided?

Based on the size of the declined payment to B, I would've expected Revolut to have provided an on-screen warning relating to cryptocurrency investment scams – which were the most common cryptocurrency scam at the time Mr H made the payment in July 2023.

This warning should've set out the key features of cryptocurrency investment scams which would include: being endorsed by high-profile individuals, returns that are too good to be true, being advertised on social media sites, and capital being guaranteed (as these investments usually involve a level of risk).

If Revolut had provided a warning of the type described, would that have prevented the losses Mr H suffered from two payment onwards?

If Mr H was shown an on-screen warning about cryptocurrency investment scams, I'm satisfied that this would've resonated with him. I say this as the main features of a cryptocurrency scam (which should've been present in the warning) mirrored the circumstances under which Mr H found the investment, and the scam he was falling victim to. I'm persuaded that it's more likely than not Mr H would've been concerned by the warning and wouldn't have proceeded with making the payments.

Revolut have raised a point about intervention by the bank Mr H used to fund his Revolut account. However, the bank Mr H used to fund these payments, didn't intervene on any of the payments Mr H made and didn't provide any warnings.

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

In reaching my decision about what is fair and reasonable, I have taken into account that Revolut were the intermediary. In this case, funds were moved from Mr H's account with a bank, into his Revolut account. He then purchased cryptocurrency which was sent on, or he made card payments to purchase cryptocurrency from an exchange which was paid into an account in his name held with that exchange.

But I think that Revolut still should have recognised that Mr H might have been at risk of financial harm from fraud when the first card payment to B was declined, and taken further steps to warn Mr H. If it had taken those steps, I am satisfied it would have prevented the losses Mr H 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 H's own account does not alter that fact and I think Revolut can fairly be held responsible for Mr H'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 H 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 H could instead, or in addition, have sought to complain against those firms. But Mr H 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 H'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 H's loss from payment two onwards (subject to a deduction for Mr H's own contribution which I will consider below).

Revolut has addressed an Administrative Court judgment, which was referred to in a decision on a separate complaint. As I have not referred to or relied on that judgment in reaching my conclusion in relation to the losses for which I consider it fair and reasonable to

hold Revolut responsible, I do not intend to comment on it. I note that Revolut says that it has not asked me to analyse how damages would be apportioned in a hypothetical civil action but, rather, it is asking me to consider all of the facts of the case before me when considering what is fair and reasonable, including the role of all the other financial institutions involved. For the reasons given above, I'm satisfied that Revolut can fairly be held account for Mr H's losses from payment two onwards.

Should Mr H bear any responsibility for his 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.

It's clear from Mr H's messages with the scammer that he didn't understand how the investment worked or what was involved, and I think a reasonable person would've done some checks into the company they believed they were investing in.

If Mr H had done basic online checks on M, he would've seen numerous links to sites or posts which suggest that this investment might be a scam. If Mr H had seen this information, I'm don't believe he would've made the payments.

On that basis, I'm satisfied that it's fair for Mr H to share responsibility for his loss with Revolut and reduce the refund by 50%.

As Mr H has been deprived of the use of these funds, Revolut should pay interest on the refund of 8% simple interest, calculated from the date of payment/cryptocurrency purchase until the date of settlement.

Putting things right

To put things right I require Revolut Ltd to:

- Refund 50% from payment two onwards (of both the cryptocurrency purchases and card payment), which means £4,127.13
- Pay simple interest on the refund of 8%, calculated from the date of the cryptocurrency purchase/card payment until the date of settlement.*

*If Revolut considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr H how much it's taken off. It should also give Mr H 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 final decision is that I uphold this complaint against Revolut Ltd and require them to compensate Mr H, as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 7 May 2025.

Lisa Lowe
Ombudsman