

The complaint

Mrs S complains that Revolut Ltd won't refund the money she lost when she was the victim of a scam.

What happened

In mid-2022, Mrs S' mother told her about a cryptocurrency investment company she had seen recommended on social media by a well-known public figure. And as her mother said she had been very impressed with the company and appeared to be making a profit, Mrs S got in touch with them herself.

Mrs S spoke with someone from the cryptocurrency investment company and was shown how to purchase cryptocurrency and send it on to the company's platform to fund her investment. And she then made a number of payments from accounts she held at other banks in order to purchase cryptocurrency, which was then sent on to wallet details she was given for the investment company.

After some time, Mrs S was told she had made a significant profit on her investment and so wanted to withdraw some of the money she had made. But she was then told she had to pay a number of fees and taxes before any withdrawal could be made. So Mrs S made a number of payments from her Revolut account towards the cryptocurrency investment company, as set out below:

| Date | Details | Amount |
|------------------|----------------------------|---------|
| 2 December 2022 | To cryptocurrency exchange | £1,000 |
| 2 December 2022 | To cryptocurrency exchange | £10,920 |
| 12 December 2022 | To cryptocurrency exchange | £10,000 |
| 12 December 2022 | To cryptocurrency exchange | £7,500 |
| 15 December 2022 | To cryptocurrency exchange | £11,000 |
| 15 December 2022 | To cryptocurrency exchange | £3,680 |
| 16 December 2022 | To cryptocurrency exchange | £9,800 |
| 16 December 2022 | To cryptocurrency exchange | £10,200 |
| 19 December 2022 | To cryptocurrency exchange | £9,800 |
| 19 December 2022 | To cryptocurrency exchange | £12,200 |
| 21 December 2022 | To cryptocurrency exchange | £9,800 |
| 21 December 2022 | To cryptocurrency exchange | £9,200 |

Unfortunately, we now know the cryptocurrency investment company was a scam. The scam was uncovered after the company kept delaying the withdrawals Mrs S was trying to make and she was told she needed to pay further fees before she could withdraw. Mrs S' husband then contacted Action Fraud, who said it sounded like a scam. Mrs S then reported the payments to Revolut and asked it to refund the money she had lost.

Revolut investigated but said Mrs S had authorised all the payments, so it didn't agree to refund any of them. Mrs S wasn't satisfied with Revolut's response, so referred a complaint to our service.

One of our investigators looked at the complaint. They thought Revolut should have done more to protect Mrs S before she made the second payment here and that, if it had done so, the scam would have been uncovered at that point. They also thought it would be fair for Mrs S to bear some responsibility for her loss. So they recommended Revolut refund 50% of the money Mrs S had lost, from the second payment onwards. Revolut disagreed with our investigator, so the complaint has been passed to me.

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 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 Mrs S modified the starting position described in *Philipp*, by – among other things – 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"* (section 20).

So Revolut was required by the terms of its contract to refuse payments in certain circumstances, including to comply with regulatory requirements such as the Financial Conduct Authority's Principle for Businesses 6, which required financial services firms to pay due regard to the interests of their customers and treat them fairly. I am satisfied that paying due regard to the interests of its customers and treating them fairly meant Revolut should have been on the look-out for the possibility of fraud and refused card payments in some circumstances to carry out further checks.

In practice Revolut did in some instances refuse or delay payments at the time where it suspected its customer might be at risk of falling victim to a scam.

I must also take into account that the basis on which I am required to decide complaints is broader than the simple application of contractual terms and the regulatory requirements referenced in those contractual terms. I must determine a complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case (DISP 3.6.1R) taking into account the considerations set out at DISP 3.6.4R.

Whilst the relevant regulations and law (including the law of contract) are both things I must take into account in deciding this complaint, I'm also obliged to take into account regulator's guidance and standards, relevant codes of practice and, where appropriate, what I consider to have been good industry practice at the relevant time: see DISP 3.6.4R. So, in addition to taking into account the legal position created by Revolut's standard contractual terms, I also must have regard to these other matters in reaching my decision.

Looking at what is fair and reasonable on the basis set out at DISP 3.6.4R, I consider that Revolut should from December 2022 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.

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 did in fact seek to take those steps, often by:

- using algorithms to identify transactions presenting an increased risk of fraud¹;
- 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.

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)².
- 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".

¹ 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/

² Since 31 July 2023 under the FCA's new Consumer Duty package of measures, banks and other regulated firms must act to deliver good outcomes for customers (Principle 12), but the circumstances of this complaint pre-date the Consumer Duty and so it does not apply.

- 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 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 Code³, 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).
- 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.
- The main card networks, Visa and Mastercard, don't allow for a delay between receipt of a payment instruction and its acceptance: the card issuer has to choose straight away whether to accept or refuse the payment. They also place certain restrictions on their card issuers' right to decline payment instructions. The essential effect of these restrictions is to prevent indiscriminate refusal of whole classes of transaction, such as by location. The network rules did not, however, prevent card issuers from declining particular payment instructions from a customer, based on a perceived risk of fraud that arose from that customer's pattern of usage. So it was open to Revolut to decline card payments where it suspected fraud, as indeed Revolut does in practice.

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 from December 2022 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

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

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 from December 2022, Revolut should in any event have taken these steps.

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

The first payment Mrs S made from her Revolut account here wasn't for a particularly large amount, or for an amount where I'd expect Revolut to identify it as suspicious based on its size alone. So I don't think it's unreasonable that Revolut didn't identify that she could be at risk of financial harm as a result of it.

But I'm satisfied Revolut ought to have recognised that Mrs S was at heightened risk of financial harm from fraud when she tried to make the second payment here, for £10,920 on 2 December 2022.

This payment was for a significant amount. And it was immediately preceded by a credit into the account of a similar amount and used up all of the available balance in the account – which is a pattern of behaviour often seen when customers are falling victim to a scam.

And so I think Revolut should have recognised that Mrs S was at risk of financial harm from fraud when she tried to make this second payment.

What did Revolut do to warn Mrs S?

Revolut hasn't suggested that it showed Mrs S any kind of warning, or took any other steps to make her aware of the risks of scams, at the time she made these payments.

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, in line with what I consider to have been good industry practice at the time as well as what I consider to be fair and reasonable, when Mrs S tried to make the second payment here for £10,920 on 2 December 2022 I think Revolut ought to have attempted to establish the circumstances surrounding the payment before allowing it to debit Mrs S' account. And I think it should have done this by, for example, directing her to its in-app chat to discuss the payment further.

If Revolut had attempted to establish the circumstances surrounding the second payment, would the scam have come to light and Mrs S' loss been prevented?

I've thought carefully about whether an intervention to attempt to establish the circumstances surrounding this payment would have likely prevented any further loss in this case. And on the balance of probabilities, I think it would have.

From what she's told us and what I've seen of her communication with the other banks she sent money from as part of this scam, I can see that Mrs S was told not to tell one of the other banks that the payments she was making were related to cryptocurrency – and instead to say that the payments were for home improvements, which she did.

But Mrs S was told to do this because the other bank didn't like people investing in cryptocurrency, whereas she was told Revolut wouldn't question payments for cryptocurrency. So while she gave this cover story to the other bank, Mrs S says she wouldn't have done so for Revolut and would have told it the payments were for cryptocurrency. And I think this is likely correct, as she wasn't told she needed to provide a cover story to Revolut and the specific reason she was told she needed to provide a cover story didn't apply to Revolut.

Mrs S also did tell Revolut the payments she was making were for cryptocurrency, when it contacted her on 12 December 2022 to ask about the source of her funds. Revolut identified that the payments she was making were related to cryptocurrency, and Mrs S said she was trading through the cryptocurrency exchange. So I think this further supports that she would likely have told Revolut the payments were related to cryptocurrency if it had asked about the circumstances surrounding them.

And, even if Mrs S had given Revolut the cover story about home improvements she was given by the scammers when it asked about the payments, I think Revolut should have seen through this story – as it could see the payments were going to a cryptocurrency exchange, which isn't how you would expect someone to pay for home improvements. And, from what I've seen, I don't think Mrs S had a particularly clear understanding of cryptocurrency. So I don't think she would have been able to satisfactorily explain what was happening with her payments if Revolut had then asked further questions – and would have just had to tell the truth about what she understood was happening.

So if it had attempted to establish the circumstances surrounding the second payment, I think Revolut would have discovered that Mrs S thought she was making an investment using cryptocurrency. I think it should then have asked questions about the investment she thought she was making, as investment scams are a common type of scam.

And there were several hallmarks of common investment scams present in the circumstances of Mrs S' payments, such as finding the investment through an advert on social media promoted by a public figure, being assisted by a broker, being asked to download remote access software and being told she had made significant profit following a small initial deposit. So if Revolut had asked questions about the investment Mrs S thought she was making, I think it would have discovered these hallmarks and should then have had significant concerns that she could be the victim of a scam.

Revolut should then have provided Mrs S with a warning about the features of common investment scams. And as several of these features were present in the circumstances of her payments, as I explained above, I think it's likely a warning highlighting these features would have resonated with her.

I've also seen no indication that Mrs S expressed mistrust of Revolut or financial firms in general. And as neither Revolut nor any other bank involved in the journey of the funds warned her about investment scams or explained the common features of such scams to her, I've not seen anything to suggest Mrs S would have ignored or moved past any warning she was given.

Therefore, on the balance of probabilities, had Revolut attempted to establish the circumstances surrounding this second payment and then provided Mrs S with an impactful warning that gave details about investment 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 the investment company before proceeding and made further enquiries into investment scams. And as Mrs S and her husband looking more closely into the investment and investment scams is what ultimately appears to have uncovered the scam, I'm satisfied that this kind of intervention from Revolut would very likely have caused them to take similar steps – revealing the scam and preventing her further losses.

Is it fair and reasonable for Revolut to be held responsible for some of Mrs S' loss?

In reaching my decision about what is fair and reasonable, I have taken into account that Mrs S appears to have paid money using her Revolut account to another account in her own name with the cryptocurrency exchange, 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.

But as I've set out in detail above, I think that Revolut still should have recognised that Mrs S might have been at risk of financial harm from fraud when he made the payment on 2 December 2022, and in those circumstances it should have provided her with a warning about the risk of investment scams. If it had taken those steps, I am satisfied it would have prevented the losses Mrs 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 Mrs S' own account does not alter that fact and I think Revolut can fairly be held responsible for Mrs 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 a consumer'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 Mrs S' loss from the payment of 2 December 2022 onwards (subject to a deduction for Mrs S' own contribution which I will consider below).

Should Mrs S bear any responsibility for her losses?

Revolut has argued that Mrs S should have done more to protect herself here by doing a greater level of due diligence on the investment company before making the payments. And I've considered whether it would be fair for Mrs S to bear some responsibility for her loss.

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.

I appreciate that this was a sophisticated scam, which Mrs S was introduced to by her mother who appeared to be having success with it and where she was given regular updates about the profit she was making. But I also think there were a number of things about what was happening and what she was told that should have caused her significant concern.

Mrs S has said she didn't have a clear understanding of how her cryptocurrency investment worked. And while I appreciate she was not an experienced investor and didn't have any previous experience with cryptocurrency, I don't think it's unreasonable to have expected her to gain a better understanding of what she was investing in or how her investment worked before sending the money – particularly given the significant amount of money she was sending.

From what I've seen of her communication with the cryptocurrency investment company, Mrs S appears to have been told she had made very significant profits – more than doubling her investment, in a very short period of time. But I don't think these kinds of returns are plausible, particularly in such a short period of time and with seemingly no risk of losing money. So I think being told she had made such significant profits should have caused Mrs S significant concern that what she was being told was too good to be true.

By the time she was making the payments from her Revolut account, Mrs S had also been told that she needed to pay a number of fees and taxes before she could withdraw the money she had been told she had made. But she doesn't appear to have been told about these fees before making her investment, so I think being told several times that she had to pay unexpected fees in this way should have caused her significant concern. And the amount of the fees and charges she was told she had to pay were very high, and ultimately significantly outweighed the amount she had initially invested. So I think being told she needed to pay this level of fees should also have caused her significant concern.

I sympathise with the position Mrs S has found herself in and recognise that she has been the victim of a cruel scam. But I think there were a number of things here which should have caused her significant concern, particularly when taken all together. And I don't think she did enough to satisfy those concerns or that the seemingly genuine parts of the scam should have been enough to overcome them.

So I think it would be fair and reasonable for her to bear some responsibility for the loss she suffered.

Customer Service

Mrs S also complained about the service she received from Revolut when trying to raise her scam claim. And from what I've seen of the communication between them, I do think Revolut's responses to her could have been more empathetic and understanding and that it could have provided her with much clearer information about the investigation it was carrying out and the timescales in which she could expect a response.

I think a payment of £150 would be fair and reasonable compensation for the distress and inconvenience this poor customer service caused to Mrs S. And so I think Revolut should pay her this amount of compensation.

Summary

For the reasons set out above, I think Revolut should have identified that Mrs S was at risk of financial harm from fraud as a result of some of the payments she made here. And I think the action I would have expected it to take in response to this risk would have prevented Mrs S making any further payments, and so losing the money she did from that point on. I also think it would be fair for Mrs S to bear some responsibility for the money she lost.

So I think Revolut should now refund 50% of the money Mrs S lost as a result of this scam, from the second payment of £10,920 on 2 December 2022 onwards.

My final decision

I uphold this complaint and require Revolut Ltd to:

- Refund Mrs S 50% the money she lost as a result of this scam, from the second payment of £10,920 on 2 December 2022 onwards – for a total of £52,050
- Pay Mrs S 8% simple interest on this refund, from the date of the payments until the date of settlement
- Pay Mrs S £150 compensation, if it has not done so already

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S to accept or reject my decision before 1 August 2025.

Alan Millward
Ombudsman