

The complaint

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

What happened

Mr B fell victim to a fake job scam. He was contacted via a mobile messaging service by someone offering him a job. They said they'd got his details from a recruitment firm, and offered him a position which involved rating travel packages online. He was told he would be paid for completing tasks, but could earn more by investing his own money in cryptocurrency on the task platform. He was told he'd receive his money back plus commission. Mr B opened accounts with cryptocurrency providers to facilitate his payments to the job platform. Unfortunately, and unknown to Mr B, the job was not legitimate, he was being scammed.

Initially, Mr B was able to complete some tasks without paying any of his own money, and he received some credits from the scammers, which convinced him the job was legitimate. But as the scam progressed, Mr B was asked to pay increasingly large amounts to unlock the tasks. Ultimately, he made the following card payments from Revolut to his cryptocurrency account over the course of three days:

	Date	Time	Amount
Payment 1	23/01/2023	15:29	£215
Payment 2	24/01/2023	11:51	£400
Payment 3	24/01/2023	12:12	£320
Payment 4	24/01/2023	13:30	£570
Payment 5	24/01/2023	14:28	£1,300
Payment 6	24/01/2023	16:20	£500
Payment 7	24/01/2023	21:43	£2,000
Payment 8	24/01/2023	21:50	£1,380
Payment 9	24/01/2023	22:00	£2,205
Payment 10	24/01/2023	22:02	£150
Payment 11	24/01/2023	22:18	£250
Payment 12	25/01/2023	11:30	£2,500
Payment 13	25/01/2023	18:44	£3,000
Payment 15	25/01/2023	21:32	£1,000
Credits received	-	-	£674.54
Total loss	-	-	£15,115.46

Mr B realised he had been scammed when the scammer continued to ask for more large deposits before he would be allowed to withdraw his profits. He told Revolut what had happened, but it didn't consider it had any responsibility for his loss. It attempted to raise a chargeback for one of the disputed payments, but concluded that there were no grounds on which a successful chargeback could be raised as the service Mr B had paid for – the purchase of cryptocurrency – had been provided. It also said it had no responsibility to prevent scams, that the loss had not occurred from Mr B's Revolut account, and that Mr B had not carried out appropriate due diligence to ensure the job was legitimate before making payments.

Our Investigator upheld the complaint in part. Ultimately, they felt that Revolut should have realised that not all was as it seemed by the time of the sixth payment to the scam. The investigator thought that Revolut should have provided Mr B with a tailored warning at this stage, and that had it done so it is likely the scam would have been uncovered. So, they recommended that Revolut refund the money Mr P had lost from this payment onwards, less a deduction of 50% in recognition of Mr B's own contributory negligence.

Mr B accepted the Investigator's findings, but Revolut disagreed, it maintains it should not be liable as the payments were made to a cryptocurrency account in Mr B's own name, and it does not consider it has a duty to prevent fraud and scams.

As no agreement could be reached, the matter has been escalated to me to determine.

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 my provisional decision I explained the following:

"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 B 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 the 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 in January 2023 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 fraud;¹*
- 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.*

For example, it is my understanding that in January 2023, Revolut, whereby if it identified a scam risk associated with a card payment through its automated systems, could (and sometimes did) initially decline to make that payment, in order to ask some additional questions (for example through its in-app chat).

I am also mindful that:

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/

- *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”.*
- *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*

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.

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

open to Revolut to decline card payments where it suspected fraud, as indeed Revolut does in practice (see above).

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 January 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 January 2023, Revolut should in any event have taken these steps.

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

Mr B's Revolut account was opened not long before this scam took place. So, Revolut had a limited account history against which to compare the payments Mr B was making. And the initial payments Mr B made were small, so even though they were evidently payments to purchase cryptocurrency, I don't think these payments would have been an immediate cause for concern. However, by the time of the sixth payment to the scam, I agree with our investigator that a pattern was emerging which should have flagged to Revolut that something untoward could be going on.

I'm aware that cryptocurrency exchanges generally stipulate that the card used to purchase cryptocurrency at its exchange must be held in the name of the account holder, as must the account used to receive cash payments from the exchange. Revolut would likely have been aware of this fact too. So, it could have reasonably assumed that payments Mr B was making would be to a cryptocurrency wallet held in Mr B's name.

But by January 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. 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.

So, taking into account all of the above I am satisfied that by the end of 2022, prior to the payments Mr B made in January 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 the consumer's own name.

So, considering that by the time of the sixth payment Mr B made to the scam a pattern had emerged of increasing payments within a short period of time, and given what Revolut knew about the destination of the payment, I think that the circumstances should have led Revolut to consider that Mr B was at 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 Mr B before this payment went ahead.

What kind of warning should Revolut have provided?

Revolut has confirmed that it did not provide Mr B with any warnings regarding the payments he made.

Our Investigator considered that, by the time of the sixth payment to the scam, Revolut should have taken steps to provide Mr B with a warning relevant to the scam he was falling victim to.

I agree that appropriate intervention here would have been for Revolut to provide Mr B with a written warning based on the characteristics of the payment he was making. And given that it was identifiably to cryptocurrency I think this warning should have provided details relevant to common cryptocurrency scams. However, at that time, such a warning would most likely have been focused on the most common types of scams – investment scams – rather than the job scam that Mr B was victim of, and I don't think that it would have been clear to Revolut at this time that it was a job scam specifically that Mr B was falling victim to. I therefore do not consider that Revolut could reasonably have prevented Mr B from making this payment if it had provided him with the kind of warning we would have expected it to provide at that time.

However, by the time of the ninth payment to the scam, I consider that the pattern of payments had become concerning enough that Revolut should have taken further steps to intervene. I say this because, by this time, Mr B had not only been making a series of increasing payments to cryptocurrency over a relatively short period of time, but he had made payments totalling over £5,500 in just over 15 minutes. In the circumstances, I think a reasonable intervention at this stage would have been for Revolut to contact Mr B directly to find out more about the circumstances of the payments and to ensure he was not at risk of financial harm. It could have done this by, for example, directing Mr B to the in-app chat to discuss the payment further.

If Revolut had provided a warning of the type described, would that have prevented the losses Mr B suffered from payment 9 onwards?

Nothing I've seen or been told by Mr B indicates that he was given a cover story or otherwise told to be dishonest with Revolut. So, if he had been directly asked what he was making the payments for, I think it's likely it would have quite quickly come to light that he was making payments to buy cryptocurrency associated with a job. Revolut would have been aware that this was unlikely to be a legitimate job opportunity and could have provided Mr B with a detailed warning at this stage, and I've seen nothing to suggest that Mr B wouldn't have taken heed of such a warning and stopped making any further payments to the scam.

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

In reaching my decision about what is fair and reasonable, I have taken into account that Revolut was not the end point of this scam. Mr B moved his money from Revolut to his cryptocurrency account before ultimately passing it on to the scammer.

But as I've set out in some detail above, I think that Revolut still should have recognised that consumer might have been at risk of financial harm from fraud when they made payment 9, 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 Mr B suffered. The fact that the money used to fund the scam wasn't lost at the point it was transferred to Mr B's cryptocurrency account does not alter that fact and I think Revolut can fairly be held responsible for Mr B'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 B 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 B could instead, or in addition, have sought to complain against those firms. But Mr B 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 B'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 B's loss from payment 9 onwards (subject to a deduction for Mr B's own contribution which I will consider below).

Should Mr B 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.

And, having thought carefully about this, I do think Mr B could have done more to protect himself from this scam. There were aspects of the scam that were convincing – the scammers appear to have copied details of a legitimate business – but I nonetheless think he ought reasonably to have had concerns about the legitimacy of the job offered, once he became aware of the requirement to send funds before he could earn any more profits. I think this should have given Mr B pause for thought and so led to him looking more deeply into this job he was apparently being offered. Because of this, I think it would be fair and reasonable to make a 50% reduction in the award based on contributory negligence in the circumstances of this complaint.

I've also thought about whether Revolut could have done anything to recover the payments Mr B made to the scam. But given that the payments were made by card to a cryptocurrency provider, and Mr B sent that cryptocurrency to the fraudsters, Revolut would not have been able to recover the funds. In addition, I don't consider that a chargeback would have had any prospect of success given there's no dispute that the cryptocurrency exchange provided cryptocurrency to Mr B."

Mr B has accepted my proposed findings, and Revolut has provided no further comment. So, I see no reason to depart from the findings set out above. I remain satisfied that Revolut should refund to Mr B 50% of his loss from Payment 9 onwards (inclusive), plus interest.

Putting things right

To resolve this complaint I am currently intending to say Revolut should:

- refund to Mr B 50% of his loss from Payment 9 onwards (inclusive),
- pay 8% interest on this refund from the date of each payment to the date of settlement.

My final decision

I uphold this complaint in part. Revolut Ltd should now put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 6 January 2025.

Sophie Mitchell
Ombudsman