

## The complaint

Mrs B complains that Revolut Ltd ('Revolut') won't refund the money she lost as the result of a scam.

## What happened

The background to this complaint isn't in dispute, so I won't go into detail.

In summary, Mrs B found an investment advertised on social media. The investment offered an account manager who would make trades on Mrs B's behalf. As part of the scam, Mrs B was told to open an account with the investment company (who I'll refer to as F), an account with Revolut and a cryptocurrency account with an exchange (who I'll refer to as B).

Unfortunately, this was a scam and Mrs B lost all of the funds she invested with F.

These are the payments that Mrs B made from her Revolut account.

Date	Pmt	Details of transaction	Amount
2.5.2023	1	Card payment – B	£2,200
5.5.2023	2	Card payment – B	£2,200
10.5.2023	3	Card payment – B	£3,000
11.5.2023	4	Card payment – B	£2,200
12.5.2023	5	Card payment – B	£800
18.5.2023	6	Card payment – B	£3,000
22.5.2023	7	Card payment – B	£5,000
22.5.2023	8	Card payment – B	£1,000
12.6.2023	9	Card payment – B	£2,000
12.7.2023	10	Card payment – B	£3,500
14.7.2023	11	Card payment – B	£3,000
18.7.2023	12	Card payment – B	£5,000
20.7.2023	13	Card payment – B	£3,000
24.7.2023	14	Card payment – B	£4,000
31.7.2023	15	Card payment – B	£2,350
6.8.2023	16	Card payment – B	£5,000
7.8.2023	17	Card payment – B	£5,000
8.8.2023	18	Card payment – B	£5,000
9.8.2023	19	Card payment – B	£5,000
11.8.2023	20	Card payment – B	£5,000
11.8.2023	21	Card payment – B	£5,000
30.8.2023	22	Card payment – B	£5,000
12.9.2023	23	Card payment – B	£4,200
16.9.2023	24	Card payment – B	£5,000
16.9.2023	25	Card payment – B	£700

Mrs B tried to withdraw her investment in August 2023 but was told she needed to pay taxes. After Mrs B paid £20,000 in taxes, she was told £10,000 of the money received had been

added to her investment and not used for the tax payment. So, she was asked to send a further £10,000. When they continued to ask Mrs B for further funds and didn't release her investment, Mrs B realised it was a scam.

Mrs B, through a professional representative, raised a fraud claim with Revolut asking that they refund her. Revolut looked into Mrs B's claim but declined to refund her. Revolut said that as Mrs B had received cryptocurrency for the card payments, she didn't have any chargeback rights.

Mrs B wasn't happy with Revolut's response, so she brought a complaint to our service.

An investigator looked into Mrs B's complaint and recommended that Revolut refund her from payment three onwards. The investigator felt Revolut should've been concerned when Mrs B made the third payment and provided a tailored cryptocurrency investment scam warning. If they had, the investigator felt the scam would've been uncovered and Mrs B's loss prevented. However, the investigator felt Mrs B should've been concerned about the legitimacy of the investment and done further checks, so it was fair for Mrs B to share liability for her loss with Revolut and reduce the refund by 50%.

Mrs B agreed with the investigator's opinion. Revolut didn't agree and raised the following points:

- These were self-to-self payments with Mrs B moving funds from her Revolut account to a cryptocurrency account she controlled with B. So, the loss didn't occur on her Revolut account and Revolut shouldn't be held liable.
- We haven't considered intervention by other banks or EMIs and whether Mrs B ignored warnings.
- It may be appropriate for us to tell Mrs B to raise a complaint against those other banks or EMIs.

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.

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

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 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 May 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 EMIs like Revolut did in fact seek to take those steps, often by:

- using algorithms to identify transactions presenting an increased risk of fraud;<sup>1</sup>
- 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 May 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:

- 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)<sup>2</sup>.
- 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 *“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 Code<sup>3</sup>, 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

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<sup>1</sup> 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/](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/)

<sup>2</sup> 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.

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

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

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

By January 2023, Revolut would've been aware of the frequency of cryptocurrency scams and the increased risk posed by payments that are obviously made in relation to cryptocurrency.

I'm satisfied that when Mrs B made payment three, Revolut should've identified a potential risk of financial harm. I appreciate that this was a new account, so Revolut didn't have any previous account activity to compare the payments to. Also, that a lot of cryptocurrency transactions are genuine.

But taking into account the information Revolut had about the payment, which was for £3,000 and identifiably going to a cryptocurrency provider, I'm satisfied they should've intervened and provided a warning.

*What did Revolut do to warn Mrs B and what warning should they have provided?*

Revolut haven't said that Mrs B was shown any warnings when she made these payments. They did block Mrs B's account temporarily on 12 June 2023 to carry out a review. They didn't have any concerns, so they unblocked her account later the same day.

But, for the reasons given above, I'm satisfied that Revolut should've intervened when Mrs B made payment three.

In response, I would've expected Revolut to provide a tailored warning onscreen that explained how cryptocurrency investment scams work (which were prevalent at the time) and how a customer can protect themselves from falling victim to one.

This tailored warning should've covered off the key features of such a scam, such as investments being offered on social media sites, endorsements by high profile celebrities, returns that were too good to be true, returns being guaranteed (as forex trading involves risk so a genuine firm wouldn't guarantee a return), being asked to make further investment payments over a short period of time and being unable to withdraw funds.

*If Revolut had provided a warning of the type described, would that have prevented the losses Mrs B suffered from payment three?*

If Revolut had provided the cryptocurrency investment scam warning set out above, I'm satisfied that it's more likely than not it would've resonated with Mrs B and the scam would've been uncovered.

I say this as Mrs B had found the investment on a social media site, she had been guaranteed returns and was pushed to make further investments after her initial payment. So, the key features mirrored the circumstances under which Mrs B found the investment, and what she was told about the investment.

Mrs B couldn't afford to lose this money as she wasn't working at the time and was looking for a way to make additional income. Also, payment three was early into her investment with F, and I'm not satisfied that Mrs B was so under the scammer's spell at this point that she would've ignored the warning. So, I'm persuaded that it's more likely than not that Mrs B wouldn't have proceeded with making any further payments.

Mrs B's payments from her Revolut account were funded by transfers from accounts she held with banks or another EMI. While the EMI and one of the banks provided Mrs B with warnings in relation to the payment she was making, these warnings didn't explain investment scams and weren't impactful.

As Mrs B was moving money between her accounts, the warnings related to safe account scams and impersonation scams, which weren't relevant to the scam Mrs B was the victim of. So, I'm not satisfied that Mrs B was given a relevant warning by another bank or EMI that

she ignored. On that basis, I can't fairly say she would've ignored a relevant warning given by Revolut.

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

In reaching my decision about what is fair and reasonable, I have taken into account that Revolut were an intermediary. Mrs B was moving money from other accounts she held with banks and an EMI to Revolut, before sending the money onto cryptocurrency wallets held in her name, then onto accounts controlled by the scammer.

But as I've set out in some detail above, I think that Revolut still should have recognised that Mrs B might have been at risk of financial harm from fraud when she made payment three, 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 Mrs B 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 B's own account does not alter that fact and I think Revolut can fairly be held responsible for Mrs 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 Mrs 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 Mrs B could instead, or in addition, have sought to complain against those firms. But Mrs B has not chosen to do that and ultimately, I cannot compel her to. In these circumstances, I can only make an award against Revolut.

I'm also not persuaded it would be fair to reduce Mrs 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 Mrs B's loss from payment three onwards (subject to a deduction for Mrs B's own contribution which I will consider below).

*Should Mrs B bear any responsibility for her 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.

I'm satisfied that it is fair for Mrs B to share responsibility for her loss with Revolut for the following reasons:

- I'm not satisfied that Mrs B did reasonable checks before making payment three. She says she looked at F's online profile, but I can't see that she did any checks into them as a company. I think a reasonable person would've checked who they were talking to and the company they were investing in.
- When Mrs B made payment three, I can't see that she had made or attempted to

make any withdrawals from her investments to ensure she had access to her funds.

- Mrs B says she was guaranteed a return, and it's more likely than not that the return promised was too good to be true. I can see that at one point she was promised a 30% bonus on any amount she invested – which wouldn't be offered by a genuine firm.
- While we don't have early messages with the scammer, I can see in later messages that they pressured her into making further payments. They even recommended that she take out loans in order to increase her investment. No genuine investment firm would pressure an investor to make further payments in this way.

Taking all of the above points into consideration as a whole, I think a reasonable person would've been concerned by these red flags and taken steps to verify what they were told. So, I'm satisfied that it's fair for Mrs B to share responsibility for her loss with Revolut and reduce her refund by 50%.

As Mrs B has been without the use of the funds, Revolut should pay simple interest of 8% per year on the refund, calculated from the date of the payments to the date of settlement.

### Chargeback

All of these card payments were made to purchase cryptocurrency which was paid into a wallet held by Mrs B, before being sent on to accounts controlled by the scammer. So, Mrs B got what she paid for from the merchant – being the cryptocurrency. This means that there wouldn't have been a reasonable prospect of success if Revolut raised a chargeback and have acted fairly in not doing so.

### **Putting things right**

To put things right I require Revolut Ltd to:

- Refund 50% from payment three onwards, being £41,375
- Pay simple interest on the refund of 8% per year, calculated from the date of the payments to 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 Mrs B how much it's taken off. It should also give Mrs B a tax deduction certificate if she asks for one, so she 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 Mrs B, as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 8 July 2025.

Lisa Lowe  
**Ombudsman**