

The complaint

Mr B complains that Revolut Ltd won't refund money he lost when he fell victim to an investment scam.

Mr B is being represented by solicitors in this complaint.

What happened

In early 2023, Mr B fell victim to a cryptocurrency investment scam. He was interested in investing in Bitcoin and came across an article which recommended a firm "G". Mr B has explained that he did some research on G and found nothing concerning.

During the course of the scam, which involved setting up a trading account and making deposits in cryptocurrency, Mr B interacted with a few representatives of G via an instant messaging platform. The use of remote access software was also involved. To deposit cryptocurrency into his trading account, Mr B first transferred fiat money from his account with a high street bank X to Revolut. He then purchased cryptocurrency from a well-known cryptocurrency provider using his Revolut debit card, before sending it to wallets as instructed by his "account manager" at G.

Mr B realised he'd been scammed when withdrawal requests were refused.

The following transactions were made to the cryptocurrency provider in February and March 2023 using Mr B's Revolut debit card –

	Transaction date	Amount
Payment 1	9 February	£3,000
Payment 2	17 February	£10,000
Payment 3	18 February	£6,000
Payment 4	22 February	£10,000
Payment 5	22 February	£8,000
Payment 6	23 February	£10,000
Payment 7	24 February	£20,000
Payment 8	7 March	£3,000
	Total payments	£70,000

After Revolut refused to refund Mr B's loss, he made a complaint and subsequently referred it to our service.

The matter was reviewed by one of our investigators. In their most recent assessment, the investigator concluded that Revolut should have provided a written warning about cryptocurrency investment scams when Mr B made Payment 1. They thought the warning would have resonated with him and he wouldn't have gone ahead with that payment or further payments.

The investigator held Mr B equally liable for his loss and so made a 50% deduction for contributory negligence when recommending Revolut to refund his losses. In making that deduction, the investigator said: the rate of return promised was too good to be true; due diligence wasn't carried out; Mr B didn't answer X's question honestly when it made enquiries on 22 February regarding a transaction that ultimately funded Payment 5; and he took out a loan under false pretences to fund Payment 8.

In terms of the interest award, the investigator didn't recommend the 8% interest on some of the payments. They said these were funds Mr B borrowed from his partner which he hadn't repaid. So, he hadn't been deprived of using his own funds.

Mr B accepted the investigator's recommendations, but Revolut didn't and asked for the matter to be determined by an ombudsman.

After completing my review of the available information, I wrote to Mr B's representative informally and gave reasons for why I didn't intend agreeing with the investigator's assessment. Briefly, I said –

- X provided a written scam warning about cryptocurrency scams to Mr B when he transferred £3,000 to Revolut on 9 February (which funded Payment 1) but he went ahead with the payment. I wasn't persuaded that a similar written warning by Revolut at the time of Payment 1 would have stopped Mr B in his tracks like the investigator had concluded.
- Mr B's submission to our service was that he funded some of the payments by borrowing money from his partner. But I noted several references to 'we', i.e., Mr B and his partner in Mr B's correspondence with the scammer over the instant messaging platform. I also noted that at the time of reporting the scam to Revolut, Mr B said his partner had invested two amounts – £10,000 and £6,000 – into the contract. As such, I wasn't persuaded that the losses stemming from Payments 2 and 3 or Payments 3 and 4 were Mr B's.
- Payments 6 and 7 were funded by credits Mr B received from the scammer into his account with X. So, those amounts weren't his losses even if he ultimately paid them out from his Revolut account. Putting aside his partner's funds, Mr B's actual loss was £30,000 less than what was being alleged.
- Mr B spoke to X on 22 February when an attempt to transfer £8,000 to his Revolut account was unsuccessful. Having listened to the recording of the call, I noted that Mr B wasn't honest about the reason for transferring the funds – he told the agent he was permanently moving to Spain later in the year and needed money in his Revolut account to pay for his purchases in Euros. I also noted that in response to our investigator's request for an explanation for the cover story, Mr B said he didn't volunteer that the transaction was for a cryptocurrency investment opportunity because he didn't want to jeopardise the investment he'd been offered. Given his actions and explanation, I wasn't persuaded that Mr B would have been honest with Revolut had one of its agents questioned him.

Mr B's representative has since submitted an appeal. In summary, the representative has said –

- Mr B did research G following X's warning and prior to making Payment 1. It showed that the individual he'd been dealing with was an authorised broker in the USA. Mr B didn't know at the time that the scammer had cloned a genuine company, so his research showed his dealings were legitimate.
- Mr B's partner denies any allegations of the money being invested on their behalf and offered to loan some funds to Mr B on the basis that it would be repaid.

- In relation to Mr B's phone call with X, the representative doesn't accept that Mr B knew this was illegitimate opportunity. He was in a rush to make the payments due to the pressure put on him by the scammer, as such he wished for the phone call to be over quickly and to enable him to complete the payment.
- Revolut knew more about the payments than X and therefore Mr B would not have been able to mislead it. He completed more due diligence than most scam victims and therefore the representative can't agree that Revolut should bear no liability.

Given Mr B has provided further comments in response to my provisional findings which I shared informally, it's now appropriate for me to proceed with issuing a formal decision.

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.

I appreciate that this complaint has been ongoing for quite some time and there has been a lot of back and forth between our service and both parties to the dispute. So, I'd like to start by thanking the parties for their continued patience.

I've carefully considered Mr B's representative's comments in response to my provisional thoughts. Having done so, I haven't been persuaded to change my outcome. I realise that this will be disappointing news for Mr B, but I'll explain why I'm not upholding 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.

But, 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 February 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 including in relation to card payments);
- 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.

It isn't in dispute that Mr B has fallen victim to a cruel scam here, nor that he authorised the payments he made to his cryptocurrency wallet (from where that cryptocurrency was subsequently transferred to the scammer). He's therefore presumed liable for the loss incurred from those payments in the first instance.

But by February 2023, there had been an increased prevalence of investment scams involving cryptocurrency. Both the financial services regulator, the Financial Conduct Authority (FCA), and Action Fraud had warned of cryptocurrency scams. So, 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.

In light of the above, I've gone on to consider, taking into account what Revolut knew about the payments, at what point, if any, it ought to have identified that Mr B might be at a heightened risk of fraud that merited its intervention.

I think Revolut should have identified that all the payments were going to a cryptocurrency provider. And I consider that it should have taken additional steps when Mr B attempted to make Payment 1.

In the circumstances, and at that time, I consider that a proportionate response to that risk would have been for Revolut to have provided Mr B with a written warning about the most prevalent type of cryptocurrency scams, i.e., investment scams, tackling some of the typical features.

We know that Revolut didn't provide any warnings at that time. But, had it done so, despite his representative's comments, I'm not persuaded that the warning would have stopped Mr B from going ahead with the payment. As I've mentioned, X stopped the transfer that funded Payment 1. It asked Mr B to select the payment purpose and Mr B selected *Investment or Cryptocurrency*. The warning he was presented with said to watch out for fake documents and websites which fraudsters use to post advertisements on social media and search engines. The warning encouraged Mr B to search the FCA's ScamSmart tool and look out for any warnings. If the company is genuine, the registered contact details would be available. X's warning went further and warned Mr B to be extremely cautious if he was investing in cryptocurrency, and to speak to a financial adviser first. And that offer of returns that sounded too good to be true probably were.

If as is being suggested Mr B checked the broker's credentials following X's warning and before proceeding with Payment 1, then I think it's unlikely a similar written warning about cryptocurrency investment scams would have had a different impact on Mr B's decision-making. Ultimately, following his due diligence Mr B wasn't concerned about his dealings with G. That would not have changed had Revolut provided a similar warning ten minutes later. I appreciate that the scammer had cloned a genuine company. But Mr B's research wouldn't have led him to discover that.

When Mr B attempted Payment 2, given the increased cryptocurrency activity on the account arguably Revolut's intervention ought to have gone beyond the provision of a written warning, such as a direct intervention through its in-app chat.

Mr B's representative submits that unlike X, Revolut would have known that the payments were identifiably cryptocurrency related. So, Mr B would not have been able to mislead Revolut like he misled X. I understand the point that the representative is trying to make here. While I accept the specific cover story Mr B gave X is unlikely to have worked with Revolut, I don't think that means the scam would have been uncovered like it has been suggested. It's not the specifics of the mistruth, but the willingness.

Causation is a critical determinative factor in cases like this. Mr B admits he didn't volunteer that the transaction was for cryptocurrency investment opportunity as he didn't want to jeopardise the investment he'd been offered. His actions are indicative of someone who recognised that his bank might stop him from making the payment and he needed to provide

a cover story so that he could continue with it. The representative has also acknowledged that Mr B was in a rush to make the payments and wished for the phone call with X to be over quickly and to enable him to complete the payment.

Against that background, I don't think it's inconceivable that Mr B would have wanted to bypass Revolut's intervention and, in his own words, not jeopardise the investment he'd been offered. He could have provided a different cover story for why he was purchasing cryptocurrency.

Even if Revolut had found out that Mr B was investing in Bitcoin, given the research he'd already done into G, I think it's likely he would have confidently reassured the EMI that he'd done independent due diligence into the firm, including verifying the broker's credentials on a regulatory authority's website. I think it's also likely he would have told Revolut that he had a contract in place. The involvement of a legitimate financial broker would, on balance, have alleviated the scam risk identified at the time.

Having carefully thought about what happened here, and the submissions provided, I'm not persuaded that the scam would have uncovered like the representative has suggested. From the available information, it seems it was the difficulties he experienced when attempting a withdrawal that prompted Mr B to investigate G. Given that the disputed payments happened before then, I'm not convinced that a subsequent intervention by Revolut would have positively impacted Mr B's decision-making.

I know that Mr B will be disappointed with this outcome. Not least because the matter has been ongoing for some time and our investigator previously upheld the complaint and recommended a partial refund. But I can only ask Revolut to reimburse Mr B if I find that any wrongdoing on its part caused his loss. I've explained above why I don't believe that to be the case.

I've also thought about whether Revolut could have done more to recover the funds once it became aware of the situation, as in some circumstances the money can be recovered. Here, the recovery avenue would have been limited to chargeback. But Mr B's payments went to a cryptocurrency exchange. He wouldn't be able to make a successful chargeback claim in the circumstances because the merchant he paid did provide the service requested (i.e., conversion of fiat money into cryptocurrency).

I fully acknowledge that there's a considerable amount of money involved here. Despite my natural sympathy for the situation in which Mr B finds himself, for the reasons given, it wouldn't be fair of me to hold Revolut responsible for his loss. This is because I'm not persuaded that any failure on Revolut's part is the proximate cause for his loss.

My final decision

For the reasons given, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 21 January 2025.

Gagandeep Singh
Ombudsman