

The complaint

Ms G complains about Revolut Ltd.

She says that Revolut didn't do enough to protect her when she fell victim to a scam and would like Revolut to refund her the money she has lost.

What happened

Ms G came across an advert for a cryptocurrency investment opportunity on social media while looking for a way to boost her finances after her husband had sadly passed away.

She followed a link on the advert and entered in her contact details. Soon after, she was contacted by an individual who explained how the investment would work, and how they could help her to make money.

Ms G was impressed by the professional nature and knowledge of the individual and agreed to go ahead. She was provided access to a portal where she could view her investments and downloaded AnyDesk to facilitate the support she would receive.

Unfortunately, Ms G had fallen victim to a scam and realised this when the scammer cut contact with her after it was clear that she had no way of paying any further funds.

By this time she had made the following payments to three known crypto exchanges.

Payment	Date	Payment type	Amount
1	3 August 2022	Transfer	£750
2	22 August 2022	Transfer	£20,000
3	23 August 2022	Transfer	£10,000
4	23 August 2022	Transfer	£10,000
5	20 September 2022	Card payment	£10,000
6	21 September 2022	Card payment	£3200
7	4 October 2022	Card payment	£200
8	7 October 2022	Card payment	£1,600
		Returns	£10,000
		Total loss	£45,711

Ms G complained to Revolut about what had happened, but it didn't uphold her complaint, so it was brought to this Service.

Our Investigator looked into things and thought that Ms G's complaint should be upheld in part. Ms G accepted this, but Revolut did not.

In summary, its response was;

- It has no legal duty to prevent scams and no obligation to reimburse scam victims outside of the FPS and CHAPS Reimbursement Rules, which do not apply to these

payments.

- While it has adequate systems in place to counter the risks of financial crime, it is contractually obliged to execute valid payment instructions, with limited exceptions.
- Payments to a customer's own account don't meet the definition of an APP scam. It shouldn't be responsible for its customer's loss where it is only an intermediate link in a chain of transactions.
- The role of other financial businesses (including any interventions or warnings they might have provided) needs to be considered.
- Ms G had recently opened the account, so it was unable to say if the payments made were out of line with her usual spending.
- The Financial Ombudsman should inform the complainant that it might be appropriate to make a complaint against another respondent.
- Ms G was negligent in researching the investment and failed to undertake due diligence about what she was doing.
- Ms G took out loans for the investment - which Revolut would be obliged to refund when the loan should not have been granted.
- Revolut has addressed an Administrative Court judgment, as part of its response.

As no agreement was reached, the complaint has been passed to me to make a final 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.

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 having been good industry practice at the time, I consider it fair and reasonable 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. 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;
- have been mindful of – among other things – common scam scenarios, how 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.

Should Revolut have recognised that Ms G was at risk of financial harm from fraud?

Looking at the payments Ms G made, I don't think that Revolut needed to be concerned about the initial payment of £750 – the payment wasn't large, and while it was going to a crypto provider, not all such payments are necessarily an indication of a scam – and Revolut can't reasonably be expected to intervene in every such payment. However, by the time Ms G made the second payment of £20,000 – I think that Revolut should have had concerns that she may be at risk of financial harm.

While Revolut has said that it didn't have any payment history to see if such a payment was 'normal' for Ms G, I don't agree that it should just allow such a significant payment – especially one which was going to a known crypto provider. I have explained above not all crypto payments are scams but there is an elevated risk, which Revolut should be aware of.

Revolut has shown that when the initial payment of £750 was made, it asked Ms G to review the transfer – but it didn't make any further interventions on the following payments.

Given the amount of the second payment, I think that Revolut should have blocked the payment Ms G was making and directed her to its in-app chat for a human intervention. Revolut could then have asked Ms G some questions about what she was doing and why. It should have already been aware that the funds were going to crypto, given the payment was being made to a well-known provider, so it should have tailored its questioning with this in mind.

I haven't seen anything to suggest that Ms G was told to mislead Revolut – so I think that she would have told it where she came across the investment, and been honest about what was happening – and I think that it would quickly have come to light that she had been granted access to a portal, and downloaded AnyDesk, and that she had found the opportunity on social media.

This information would have been enough for Revolut to have concluded that Ms G was very likely falling victim to a crypto investment scam – and Revolut should have provided her with a relevant warning setting this out and why it felt this was the case.

Had it done so, I haven't seen anything to suggest that Ms G wouldn't have paid attention to what Revolut was telling her – and I don't think that she would have continued making the payments. So, I think that Revolut missed an opportunity to prevent Ms G's losses from the second payment.

Is it fair and reasonable for Revolut to be held responsible for Ms G's loss?

I have taken into account that Ms G remained in control of her money after making the payments from Revolut. It wasn't lost until they took further steps. But Revolut should still have recognised that Ms G was at risk of financial harm from fraud, made further enquiries about the second payment and ultimately prevented Ms G's loss from that point. I think Revolut can fairly be held responsible for Ms G's loss in such circumstances.

Revolut has addressed an Administrative Court judgment, which was referred to in a decision on a separate complaint. As I have not referred to or relied on that judgment in reaching my conclusion in relation to the losses for which I consider it fair and reasonable to hold Revolut responsible, I do not intend to comment on it. I note that Revolut says that it has not asked me to analyse how damages would be apportioned in a hypothetical civil action but, rather, it is asking me to consider all of the facts of the case before me when considering what is fair and reasonable, including the role of all the other financial institutions involved.

While I have considered all of the facts of the case, including the role of other financial institutions involved, Ms G has chosen not to complain about any other firm, and I cannot compel her to do so. And I do not think it would be fair to reduce Ms G's compensation because she has only complained about one firm, as I consider that Revolut should have prevented the loss.

The use of loans to fund the scam Ms G fell victim to

Revolut has raised a number of concerns regarding this scam being largely funded by loans taken out by Ms G - and whether Ms G should be reimbursed if creditors were deceived during the loan application process or failed themselves to conduct adequate due diligence.

I've carefully considered Revolut's concerns and whether I think they should impact whether Ms G is entitled to reimbursement, as well as what other investigations are proportionate here.

I've briefly summarised those arguments below:

- a) It's the lender, rather than Ms G, that's 'truly' lost out.
- b) Our service should investigate how the loan was obtained, both because it could involve fraud on the part of Ms G and because it could provide evidence of how Ms G might have responded to any warnings.
- c) The lender may have lent the money without sufficient due diligence. In that case, it ought to be responsible, rather than Revolut. Should we find Revolut, rather than the loan company responsible, there is no incentive for lenders to improve their due diligence.
- d) If Ms G lied to obtain the loan, that would be illegal, and a longstanding legal principle means she shouldn't benefit from that conduct. In other words: Revolut has the defence of 'illegality' against Ms G's claim

Ms G is liable to repay the lenders, so I can't agree she hasn't suffered a loss as a result of paying away the loan funds to the fraudster. I nevertheless understand Revolut's concern at being held responsible (at least in part) for funds provided by the lender. And, I've thought about the arguments raised carefully, but they don't persuade me to exclude the loan-funded payments from reimbursement or to deny Ms G's claim in its entirety

As set out above, I've considered all of the circumstances which led to Ms G sending funds from her Revolut account. I have not been asked to consider a complaint against the lenders involved - and any shortcomings of those lenders in terms of the quality of the enquiries they made before agreeing to lend to Ms G had no bearing on whether Revolut was sufficiently careful in detecting (and stopping) this scam. In any event, the role of our service is not to drive standards of due diligence among lenders or regulate how far lenders go in seeking information whether deciding whether or not to advance a loan. We are not a regulator but a provider of alternative dispute resolution services.

On the issue of illegality, it's important to note that I'm deciding a complaint, not a legal claim, so such a legal defence isn't strictly applicable. Nevertheless, I'm required to take into account relevant law in considering what is fair and reasonable in all of the circumstances, and I accept there could be circumstances where it would be fair to deny a complaint of this

kind on the basis of the complainant's conduct in relation to third-party lenders. I don't think Ms G's case is one such set of circumstances, and I think that Revolut's arguments are an over-simplification of the relevant law. I've broken down my thoughts on this point below.

What specific misrepresentations did Ms G make to the lenders?

It isn't clear from the credit agreements available what purpose Ms G selected when taking out the loans she used to partly fund the scam, or if she was asked a purpose at all. But given that the money was being used to purchase cryptocurrency, I think it is likely that Ms G did not declare that the funds would be used in this way as the majority of lenders do not allow lending for this purpose, and so she would have had to select a different reason for wanting the loans.

Did Ms G make these misrepresentations dishonestly?

Based on Ms G likely misrepresenting the purpose for loans, I think it's fair to determine that this misrepresentation was made in the knowledge that it was incorrect and, albeit not necessarily with an awareness of the seriousness of this misrepresentation, dishonestly.

What was the context and degree of seriousness to Ms G's misrepresentations?

From the available evidence, I've seen nothing to suggest Ms G ventured into this apparent investment opportunity with anything but innocent intentions of making better returns on her money from what she believed was a genuine investment. Unfortunately, the nature of these scams is to convince individuals that to make money, they need to invest more and more funds for varying purposes in a short space of time, which are often outside of that individual's means.

That was the case here and Ms G has also said that she was pressured repeatedly to invest more and that by doing so, she would be able to boost her finances after her husband had sadly passed away. Ms G believed she would be receiving her funds back shortly after loans were received and had intended when obtaining the loans to repay them from her trading profits.

I've seen nothing to suggest Ms G embarked on a pre-meditated attempt to defraud the lenders. I've also noted that her interactions with the lenders were, on the face of it, fairly limited and if considering levels of dishonesty to obtain funds, I would say that Ms G's actions were at the lower end of any such scale.

Relevant case law for illegality concerns

The leading case for consideration here is *Patel v Mirza* [2016] UKSC 42, and the "trio of necessary considerations" which the case introduced, being summarised at paragraph [120] of the majority judgment were as follows:

"The essential rationale of the illegality doctrine is that it would be contrary to the public interest to enforce a claim if to do so would be harmful to the integrity of the legal system (or, possibly, certain aspects of public morality, the boundaries of which have never been made entirely clear and which do not arise for consideration in this case). In assessing whether the public interest would be harmed in that way, it is necessary (a) to consider the underlying purpose of the prohibition which has been transgressed and whether that purpose will be enhanced by denial of the claim, (b) to consider

any other relevant public policy on which the denial of the claim may have an impact and (c) to consider whether denial of the claim would be a proportionate response to the illegality, bearing in mind that punishment is a matter for the criminal courts.”

I'll therefore cover these considerations in the circumstances of this complaint.

Will the underlying purpose of the prohibition be enhanced by the denial of this claim?

In my view, the law prohibits people from misleading others into lending them money, because that type of conduct is likely to harm lenders and should be deterred. I think any enhancement to the purpose of the prohibition would be minor as a result of Ms G's claim being denied on this basis. It's possible she, or others aware of her situation, may become better aware of the importance of honesty during future loan applications or bank questioning. However, an important consideration here was that Ms G was manipulated by the fraudster to take such actions – and so a repeat of a fraudulent loan application by Ms G, or others aware of his circumstances, seems unlikely, based on the loan application being the result of falling victim to an APP scam.

Would any other public policy be impacted by the denial of this claim?

Considering other relevant public policy on which denial of the claim may have an impact, there are two potential policies I've considered:

- 1) That denial of complaints on this ground *could* encourage financial businesses in the position of Revolut to adjust their commercial priorities towards focusing on probing customers for signs of dishonesty against third parties, rather than on preventing their own services being used for APP frauds that they may be in a position to detect. This could be counterproductive to the fight against APP frauds, which are a very significant source of harm, and sometimes very serious harm, to the public. However, I'd not attach too much weight to this consideration, as I'd expect such adjustments, if any, to be relatively minor.
- 2) In situations where the loan repayment remains outstanding, denying a complaint that would otherwise be successful on the basis of illegality means that not only is the complainant disadvantaged, but also potentially the lender, despite the customer's dishonesty in question having been committed *against* it. Denial of the complaint has the potential, therefore, to harm the victim of the complainant's misconduct, which seems undesirable.

Given that there are opposing policy outcomes, none of which seems decisive, in my view the key consideration here becomes the third part of the relevant test – that is, whether denial of the claim would be a proportionate response to the illegality.

Would denial of the claim be a proportionate response to the illegality?

Ms G's actions had little bearing on Revolut's own opportunity to intervene and stop this scam, and Revolut isn't the party which was deceived. The issue of deception is between Ms G and the lenders, who have a range of options to take should they consider it necessary. These include using the self-help systems developed by the finance industry to share information about fraud and financial crime and, of course, lenders can in an appropriate case consider pursuing civil remedies or going to the police. I think that these considerations point to a conclusion that the lenders have in their own hands more appropriate ways of responding and that denial of Ms G's complaint against Revolut isn't a proportionate response.

Considering the circumstances here holistically – that Ms G’s expectations and intentions when obtaining the loan were to repay it shortly after, and the fact he was the unwitting victim of a scam that caused her actions – as well as both Ms G’s and the lender’s actions (or inactions) having no impact on Revolut’s own ability to detect and respond here to indications of fraud – I don’t think a proportionate outcome in the circumstances would be to deny Ms G compensation and I therefore think it remains fair to hold Revolut liable (at least in part) for those of his losses it could and should have prevented.

I’ve explained why, ultimately, I don’t think the illegality argument Revolut has raised would prevail in this case. But, irrespective of whether I’m right or wrong about that, I’d reach the same decision based on what I consider fair and reasonable in all the circumstances.

Should Ms G bear any responsibility for her losses?

Ms G has already accepted our Investigators recommendation that she share liability for the loss from the point I think that Revolut should have intervened – so I won’t go into too much detail here. However, I do agree that Ms G wasn’t as careful as she should have been before making payments to the scammer. Ms G wasn’t an experienced investor – however, I can’t see that she took any steps to verify who she was dealing with, or the legitimacy of the supposed investment.

The advert was found on social media, which was not a reliable source of financial advice, and had Ms G completed a simple google search about the company she thought she was investing with, she would have seen negative reviews relating to it dating back several months before she made her investment.

Putting things right

Revolut Ltd should refund Ms G 50 % of her loss from payment two, less the £10,000 she received on 21 September 2022.

It should also pay Ms G 8% simple interest (less tax) from the date of each payment until settlement.

My final decision

I uphold this complaint in part. Revolut Ltd should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Ms G to accept or reject my decision before 13 January 2026.

Claire Pugh
Ombudsman