

The complaint

Mr D is being represented by a claims manager. He's complaining about Revolut Ltd because it declined to refund money he lost as a result of fraud.

What happened

Sadly, Mr D fell victim to a cruel investment scam. After responding to an advert on social media with a fake celebrity endorsement, he was contacted by the scammer and agreed to invest £250 from another account. He was told to download screen-sharing software so the scammer could help set him up with an account on a fake portal that appeared to show trades being placed and profits generated on his behalf.

After seeing his initial investment had appeared to generate a profit, Mr D was persuaded to take personal a loan for £5,000 to fund a card payment of £4,946 from his existing Revolut account (opened in 2021) to the scam on 21 December 2022. The payment went to a cryptocurrency exchange before the currency purchased was transferred to the scammer.

On 27 January 2023, Mr D made another card payment of £9,990.03 to the cryptocurrency exchange from his Revolut account that was lost to the scam. This was funded by a further personal loan for £10,000.

Mr D says he realised this was a scam when he tried to withdraw money but wasn't able to.

Our investigator recommended the complaint be upheld. They felt Revolut should have identified Mr D was at risk of harm when it received the first payment instruction. If it had carried out a proportionate intervention at that stage, they felt the scam would have been stopped and his losses prevented.

Revolut didn't accept the investigator's assessment. In defence of this complaint, it's made the following key points:

- The transactions weren't unusual for this type of account.
- The payments went to an account in Mr D's own name, meaning the fraud didn't occur on its platform.
- We need to consider any possible interventions from the lenders that provided the personal loans. Lenders are aware of the use of loans to fund cryptocurrency scams and provide correspondence to customers setting out the risks of this.
- Mr D was negligent and didn't carry out adequate due diligence before making the payments.

The complaint has now been referred to me for review.

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.

Having done so, I've reached the same overall conclusions as the investigator. In deciding what's fair and reasonable, I'm 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. I haven't necessarily commented on every single point raised but concentrated instead on the issues I believe are central to the outcome of the complaint. This is consistent with our established role as an informal alternative to the courts.

In this case, there's no dispute that Mr D authorised the above payments. In broad terms, the starting position at law is that an Electronic Money Institution (EMI) such as Revolut is expected to process payments a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of their account. In this context, '*authorised*' essentially means the customer gave the business an instruction to make a payment from their account. In other words, they knew that money was leaving their account, irrespective of where that money actually went.

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 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 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;
- have acted to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring all aspects of its products, including the contractual terms, enabled it to do so;
- 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.

Taking these points into account, I need to decide whether Revolut acted fairly and reasonably in its dealings with Mr D.

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

One of the key features of a Revolut account is that it facilitates payments that often involve large amounts and/or the purchase of cryptocurrency. And I must take into account that many similar payment instructions it receives will be entirely legitimate.

Nonetheless, considering what Revolut knew about the first payment at the time, I believe it should have identified Mr D may be at risk of harm from fraud. The payment was

considerably larger than those he'd made before on the account and was funded by the proceeds of a personal loan that had been paid into his account only days earlier. Revolut also knew the payment was going to cryptocurrency. Losses to cryptocurrency fraud reached record levels in 2022 and, by the end of that year, many high street banks had placed restrictions or additional friction on cryptocurrency purchases owing to the elevated fraud risk. So, by the time this payment took place, I think it should have recognised that payments to cryptocurrency carried a higher risk of being associated with fraud.

What did Revolut do to warn Mr D?

Revolut has confirmed that the payments weren't flagged on its system and no intervention beyond asking Mr D to confirm he knew and trusted the payee was made.

What kind of warning should Revolut have provided?

Having thought carefully about the risk the first payment presented, including the fact that it was funded by a loan, I think a proportionate response to that risk would have been for Revolut to have attempted to find out about the circumstances of the payment, which could have been achieved by directing him to speak to an agent using its in-app chat function.

I appreciate Mr D didn't tell the lender he was borrowing money to fund an investment and instead said it was for home improvements. But Revolut could see the money was going to cryptocurrency so this explanation wouldn't have stood up to any scrutiny. I've seen no evidence Mr D was specifically told to hide the real purpose of the payment from Revolut. And on the basis that he believed the investment was genuine, I think it's likely that he would have disclosed that the payment was to fund an investment if asked appropriate probing questions.

But even if Mr D didn't actually disclose he was investing this money, it's difficult to see what explanation he could have provided for borrowing money to purchase cryptocurrency that could reasonably have persuaded Revolut he definitely wasn't falling victim to a scam. One way or another, I'm satisfied it should have identified that Mr D may be falling victim to a scam and that the most likely type of scam that could be taking place was a cryptocurrency based investment scam.

Armed with this information, Revolut should have provided a tailored warning setting out the common features of this type of scam. Such common features would have included, for example, that scammers often advertise on social media, tell victims to download screen-sharing software to set up accounts with professional-looking fake platforms, promise unrealistic returns, tell customers they can start with small amounts and then encourage them to pay more and more, sometimes encouraging them to borrow money to fund this.

If Revolut had intervened as I've described, would that have prevented the losses Mr D suffered from the first payment?

I'm conscious this payment came at an early stage in the scam, before Mr D was told he was making very substantial profits and when he may not have been as firmly under the scammers' spell as he perhaps later became. If Mr D had been shown the type of warning I've described at this stage, I think it's he'd have recognised many features that are common to investment scams in his own situation and it would have resonated with him. On balance, I think it's most likely his eyes would have been opened to the scam and he'd have decided not to continue with the payment.

I think it follows that if the scam had been uncovered at the point of the first payment, the second payment would also have been prevented.

What about the actions of the lender?

This was a multi-stage fraud that saw Mr D take a personal loan that was paid into his Revolut account and then eventually onto the scammer. This complaint is about Revolut and it's not appropriate for me to comment here on whether or not the first lender should have identified he was at risk of harm from fraud and whether it reacted proportionately. But to obtain a full picture of what took place, we have contacted the lender to establish if it attempted any kind of intervention before transferring his money to Revolut.

The lender has confirmed that it wasn't told the loan was to fund a cryptocurrency investment and has no record of any intervention or call recordings where Mr D would have been warned about the risks of this. It also confirmed Mr D hasn't made a complaint about its actions in connection with the scam.

On balance, I don't think there was any intervention by the lender that should particularly have alerted Mr D to the fact he was speaking to a scammer or that changes my views about how Revolut should have dealt with this situation and how he would have responded to an appropriate intervention.

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

I have taken into account that Mr D remained in control of his money after making the payments from Revolut. It wasn't lost until he took further steps. But Revolut should still have recognised that he was at risk of financial harm from fraud, made further enquiries about the first payment and ultimately prevented his loss from that point. I think Revolut can fairly be held responsible for any loss in these circumstances.

While I have considered all of the facts of the case, including the role of other financial institutions involved, Mr D has chosen not to complain about any other firm and I can't compel him to do so. And, I don't think it would be fair to reduce his compensation because he's only complained about one firm, as I consider that Revolut should have prevented the loss.

Revolut has addressed an Administrative Court judgment, which was referred to in a decision on a separate complaint. As I haven't 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 it responsible, I don't intend to comment on it. I note Revolut says it hasn't asked me to analyse how damages would be apportioned in a hypothetical civil action but, rather, it's asking me to consider all of the facts of the case before me when considering what's fair and reasonable, including the role of all the other financial institutions involved, and I'm satisfied that's what I've done.

Should Mr D bear any responsibility for his losses?

I've carefully considered all the circumstances of this complaint to decide what I think is fair and reasonable. Having done so, I accept Mr D believed these payments were being made in connection with a legitimate investment opportunity, but I'm not persuaded that belief was a reasonable one.

In particular, I'm conscious Mr D's representative has said he was told he could expect to double his money within six months. This is an extremely high return and I think he should reasonably have questioned whether it was too good to be true. If he'd carried out any further research, for example online searches, I think he'd have quickly discovered his

circumstances were similar to those commonly associated with investment fraud. Overall, I think it's fair and reasonable for Revolut to make a 50% deduction from the redress payable.

Recovery of funds

I've also looked at whether Revolut could or should have done more to try and recover Mr D's losses once it was aware that the payments were the result of fraud.

I understand Mr D first notified Revolut of the fraud in August 2024, more than a year after the last payment. It's a common feature of this type of scam that the fraudster will move money very quickly to other accounts once received to frustrate any attempted recovery and I don't think anything that Revolut could have done differently would likely have led to those payments being recovered successfully after this period of time.

In any event, Mr D transferred funds to a legitimate cryptocurrency account in his own name. From there, he purchased cryptocurrency and moved it onto a wallet address of his choosing (albeit on the scammers' instructions). Revolut could only try to recover funds from his own account and it appears all the money had already been moved on and, if not, anything that was left would still have been available to him to access.

As the payments outlined above were card payments, I've considered whether Revolut should have tried to recover the money through the chargeback scheme. But I'd only expect it to have raised a chargeback claim if it was likely to be successful and it doesn't appear that would have been the case here. Again, Mr D paid a legitimate cryptocurrency exchange and would have received a service that involved changing his money into cryptocurrency before sending it to the wallet address he supplied it with. His disagreement is with the scammer, not the cryptocurrency exchange and it wouldn't have been possible for Revolut to process a chargeback claim against the scammer as he didn't pay them directly. The delay in notifying Revolut about the scam also meant this fell outside the normal time limit for making a chargeback claim.

In conclusion

For the reasons I've explained, I don't think Revolut acted fairly and reasonably in its dealings with Mr D and I'm upholding this complaint. If it had carried out a proportionate and appropriate intervention before the first payment debited his account, I'm satisfied the loss from both of the above payments would have been prevented.

Putting things right

The principal aim of any award I make must be to return Mr D to the position he'd now be in but for the errors or inappropriate actions of Revolut, while allowing for any responsibility he should reasonably bear. If Revolut had carried out an appropriate intervention as I've described, I'm satisfied the scam would have been stopped and Mr D would have retained the money that was lost from both of the above payments. As outlined above, I've applied a 50% deduction to the amounts to be refunded in recognition of his own contribution towards the loss.

In respect of the personal loans taken to fund the scam, the lenders have confirmed they remain in place and Revolut's transaction history appears to show that Mr D continues to make the normal monthly repayments.

To put things right, Revolut should pay Mr D compensation of $A + B$, where:

- A = a refund of 50% of each of the two payments outlined above; and

- B = simple interest on each amount being refunded in A at 8% per year from the date of the corresponding payment to the date compensation is paid.

Interest is intended to compensate Mr D for the period he was unable to use this money. HM Revenue & Customs (HMRC) requires Revolut to deduct tax from any interest. It must provide Mr D with a certificate showing how much tax has been deducted if he asks for one.

I'm satisfied this represents a fair and reasonable settlement of this complaint.

My final decision

My final decision is that I uphold this complaint. Subject to Mr D's acceptance, Revolut Ltd should now put things right as I've set out above.

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

James Biles
Ombudsman