

## **The complaint**

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

## **What happened**

The details of the complaint are well known to both parties, so I will not repeat them again here. Instead, I will focus on giving the reasons for my 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 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 Mr B modified the starting position described in *Philipp*, by 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*".

So Revolut was required by the implied terms of its contract with Mr B and the Payment Services Regulations to carry out their instructions promptly, except in the circumstances set out in its contract, which included where regulatory requirements meant it needed to carry out further checks.

Whether or not Revolut was required to refuse or delay a payment for one of the reasons set out in its contract, the basic implied requirement to carry out an instruction promptly did not in any event mean Revolut was required to carry out the payments immediately<sup>1</sup>. Revolut could comply with the requirement to carry out payments promptly while still giving fraud warnings, or making further enquiries, prior to making the payment.

And, I am satisfied that, taking into account longstanding regulatory expectations and requirements and what I consider to have been good industry practice at the time, Revolut should in April 2024 fairly and reasonably 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 (irrespective of whether it was also required by the express terms of its contract to do so).

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 do in fact seek to take those steps, often by:

- using algorithms to identify transactions presenting an increased risk of fraud;<sup>2</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.

In reaching my conclusions about what Revolut ought fairly and reasonably to have done, 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).
- 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

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<sup>1</sup> The Payment Services Regulation 2017 Reg. 86(1) states that “the payer’s payment service provider must ensure that the amount of the payment transaction is credited to the payee’s payment service provider’s account **by the end of the business day following the time of receipt of the payment order**” (emphasis added).

<sup>2</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_/)

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 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).

- Since 31 July 2023, under the FCA's Consumer Duty<sup>4</sup>, regulated firms (like Revolut) must act to deliver good outcomes for customers (Principle 12) and must avoid causing foreseeable harm to retail customers (PRIN 2A.2.8R). Avoiding foreseeable harm includes ensuring all aspects of the design, terms, marketing, sale of and support for its products avoid causing foreseeable harm (PRIN 2A.2.10G). One example of foreseeable harm given by the FCA in its final non-handbook guidance on the application of the duty was *"consumers becoming victims to scams relating to their financial products for example, due to a firm's inadequate systems to detect/prevent scams or inadequate processes to design, test, tailor and monitor the effectiveness of scam warning messages presented to customers"*<sup>5</sup>.

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 April 2024 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;
- 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 – (as in practice Revolut sometimes does).

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

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

<sup>4</sup> Prior to the Consumer Duty, FCA regulated firms were required to "pay due regard to the interests of its customers and treat them fairly." (FCA Principle for Businesses 6). As from 31 July 2023 the Consumer Duty applies to all open products and services.

<sup>5</sup> The Consumer Duty Finalised Guidance FG 22/5 (Paragraph 5.23)

It's not in dispute that the payment of £10,000, sent on 29 April 2024, triggered Revolut's fraud detection system. I say this because by Revolut's own admission, its fraud detection system did flag the transaction as suspicious and as a result Revolut postponed and issued Mr B with a dynamic educational story message, to warn him about the risks associated with the transfer. As the payment was identified as 'high risk' it asked Mr B to engage with its transaction review process and off the back of Mr B's answers, issued him with a warning based on the purpose he provided for his transaction.

*What did Revolut do to warn Mr B?*

As I have highlighted above, Revolut asked Mr B to provide the purpose of his transaction and Mr B said:

*paying family member or friend"*

Based on this, Mr B was then provided with a warning which was generated based upon the purpose he gave for his transfer. However, Revolut then asked Mr P further questions in its in-app chat, the questions asked were as follows:

*"Revolut: Please answer truthfully. If you're being scammed, the fraudster may ask you to hide the real reason for this payment.*

*Mr B: I understand*

*Revolut: Is anyone telling you how to answer these questions? Is someone telling you which options to choose or telling you this is urgent?*

*Mr B: No*

*Revolut: Why are you making this transfer?*

*Mr B: Pay a family member or friend*

*Revolut: What are you paying them for?*

*Mr B: Paying back for something they purchased on my behalf.*

*Revolut: Have you paid this person before?*

*Mr B: Yes.*

*Revolut: How did they provide the bank details?*

*Mr B: Face to face"*

*What kind of warning should Revolut have provided?*

I've thought carefully about what a proportionate warning in light of the risk presented would be in those circumstances. In doing so, I've taken into account that many payments that look very similar to this one will be entirely genuine. I've given due consideration to Revolut's primary duty to make payments promptly.

As I've set out above, the FCA's Consumer Duty, which was in force at the time these payments were made, requires firms to act to deliver good outcomes for consumers including acting to avoid foreseeable harm. In practice this includes maintaining adequate systems to detect and prevent scams and to design, test, tailor and monitor the effectiveness of scam warning messages presented to customers.

I'm mindful that firms like Revolut have had warnings in place for some time. It, along with other firms, has developed those warnings to recognise both the importance of identifying the specific scam risk in a payment journey and ensuring that consumers interact with the warning.

In light of the above, I think that by April 2024, when these payments took place, Revolut should have had systems in place to identify, as far as possible, the actual scam that might

be taking place and to provide a better automated warning relevant to that scam. But I accept that any such system relies on the accuracy of any information provided by the customer and cannot reasonably cover off every circumstance.

In this case, Mr B was falling victim to an 'investment scam'. Therefore, I'd expect any such warning to have covered off key features of an investment scam, such as: his investment experience, how he was introduced to the investment, was there a broker and what were the promised returns. But as I have highlighted above, in order for Revolut to have generated this warning (which would have resonated with Mr B's circumstances) it relied on the accuracy of the information Mr B provided.

Mr B didn't provide accurate answers to the questions Revolut asked. When asked why he was making the transfer, as I have highlighted above, Mr B said paying "*a family member or friend*" because he was "...*paying them back*...". And, I am aware, that 'investment' would have been an option available to Mr B when he chose the purpose for his payment. Mr B's representative has said that he was guided by the scammer to make the payments, but when given the options to be transparent with Revolut, Mr B indicated he knew the payee, had been given the payee details face to face and it was due to him owing the payee money. Therefore, by not providing accurate information to Revolut, Mr B denied it the opportunity to assess the risk, ask the appropriate questions (which would have resonated with Mr B's circumstances) and provide an effective warning relevant to the scam Mr B was falling victim to. I can't hold Revolut responsible for that.

I accept that Mr B's representative believes a formal intervention was required, whilst I am not of that opinion, to avoid any doubt, I have considered what I think is likely to have happened if Revolut had conducted a more formal intervention. Revolut usually use an in-app chat to do this. I've thought about the kind of questions I believe Revolut potentially could have asked in these circumstances, and ultimately if it had asked Mr B those questions would it have made a difference to him going ahead with the payments. I have also had to bear in mind that the level and depth of questioning has to be proportionate to the situation - I have to consider that Mr B should not have been subjected to an interrogation by Revolut.

In my view, the questions Revolut asked to narrow down the potential scam Mr B may have been falling victim to, in order to provide an effective warning, were proportionate. As such, I don't think there were many more questions it could have asked to elicit further information from Mr B. But Mr B's representative has stated that it needed to ask open, probing questions when intervening and that they need to hold up their customers answers to a reasonable level of scrutiny. And while I agree with that position (assuming a more formal intervention was proportionate and in this case I am not of that opinion), due to the payment purpose reasons Mr B selected, it was limited in what further questions it could have asked. Potentially, further questions on who the family or friend was, the length of time they had known them and what Mr B was paying them back for.

In any event, I think it's reasonable to conclude if it had intervened as I have highlighted above it wouldn't have unveiled the scam. I say this because Mr B's representative has said other financial institutions (which I will call C) had intervened when Mr B had tried to make similar transactions and as a result, scrutinised Mr B's answers (and stopped the transfer from proceeding). I am also aware the answers Mr B provided to some of those questions differed to the way he answered Revolut's. For example, when Mr B was asked by C what the payment was for he said "*a wedding gift*". When Revolut asked this question Mr B said "*Paying back for something they purchased on my behalf*". When C asked Mr B how he was communicating with his 'friend' he said over a messaging app. When Revolut asked how Mr B obtained the family members details he said "*face to face*". The information he provided

Revolut was clearly different to the answers he provided C (*although those answers were not an accurate reflection of his circumstances*).

As I have highlighted above, based on the answers Mr B provided, I am not persuaded there was anything concerning which ought to have alerted Revolut that a more formal intervention was required (especially considering the reason Mr B selected as his reason for opening the account). But even if a more formal intervention had been required, for the reasons I have highlighted above, I don't think Mr B would have answered accurately, and based on the version of events he told Revolut, I am satisfied the scam wouldn't have been unveiled as Revolut would have been provided with the reassurances it needed to permit the payments as there was nothing which would have alerted Revolut to the fact Mr B was at risk of financial harm.

So, while I don't dispute Revolut ought to have been concerned about the payment Mr B had made, if it had intervened (either by a better automated warning or a more formal intervention), I am not persuaded it would have resulted in a different outcome for Mr B.

### *Recovery*

I have gone on to consider if Revolut took reasonable steps to try and recover the funds once it was made aware *the* payment was the result of fraud.

The payment appears to have been made to an individual selling cryptocurrency who was likely unconnected to the scammer. As the individual was unlikely to be involved in the fraud, even if it were practical or possible to recover funds from them, it would be unlikely to be fair for that to happen (given that they'd legitimately sold cryptocurrency). So, I don't think it would be fair and reasonable to conclude that Revolut should have done anything more to try and recover

### **My final decision**

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 17 July 2025.

Jade Rowe  
**Ombudsman**