

The complaint

Mrs A complains that Revolut Ltd won't refund the money she lost when she was the victim of a scam.

What happened

In July 2023, Mrs A and her husband were looking for ways to earn extra income and joined a group about cryptocurrency trading on a social media platform. They were then contacted by someone who said they worked for a cryptocurrency investment company who said they could help them trade.

Mrs A was told to open an account with Revolut and shown how to purchase cryptocurrency to send on to the investment company. She then made a number of payments from her Revolut account to fund the investment, as set out below:

Date	Details	Amount
5 July 2023	To 1 st cryptocurrency exchange	£1,500
6 July 2023	To 2 nd cryptocurrency exchange	£3,000
27 July 2023	To 2 nd cryptocurrency exchange	£4,500
31 July 2023	To 2 nd cryptocurrency exchange	£5,000
31 July 2023	To 2 nd cryptocurrency exchange	£3,550
8 August 2023	To 2 nd cryptocurrency exchange	£4,000

Unfortunately, we now know the cryptocurrency investment company was a scam. The scam was uncovered after Mrs A was told she needed to pay a large amount in fees before she could withdraw the profit the company said she had made. But even after Mrs A paid the fees, the company didn't allow her to withdraw and said she needed to pay further charges. Mrs A then realised she had been the victim of a scam.

Revolut investigated but said it had shown Mrs A a number of warnings before she made the payments, and wasn't at fault for processing the payments she had authorised. So it didn't agree to refund the payment she had made. Mrs A wasn't satisfied with Revolut's response, so referred a complaint to our service.

One of our investigators looked at the complaint. They thought Revolut should have done more to protect Mrs A before she made the second payment here and that, if it had done so, the scam would have been uncovered at that point. They also thought it would be fair for Mrs A to bear some responsibility for her loss. So they recommended Revolut refund 50% of the money Mrs A had lost, from the second payment onwards. Revolut disagreed with our investigator, so the complaint has been passed to me.

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 A 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*”.

So Revolut was required by the implied terms of its contract with Mrs A 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 immediately¹. 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 from July 2023 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

¹ The Payment Services Regulation 2017 Reg. 86 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).

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 EMI's like Revolut did in fact seek to take those steps, often by:

- using algorithms to identify transactions presenting an increased risk of fraud²;
- 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.

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)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 the “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 Code⁴, 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

² 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/

³ 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.

⁴ BSI: PAS 17271: 2017 “Protecting customers from financial harm as result of fraud or financial abuse”

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).

- 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.

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 from July 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.

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

The first payment Mrs A made here wasn't for a particularly large amount, or for an amount where I'd expect Revolut to identify it as suspicious based on its size alone. So I wouldn't have expected Revolut to recognise that she was at risk of financial harm from fraud as a result of it.

I'm satisfied Revolut ought to have recognised that Mrs A was at heightened risk of financial harm from fraud when she tried to make the second payment here, for £3,000 on 6 July 2023. This payment was for a significantly larger amount. It was identifiably related to cryptocurrency which, around this time, I think Revolut ought to have been aware meant it carried an elevated risk of being related to a fraud or scam. And at this point, Mrs A had tried to make two payments out of her account, for increasing amounts, and both funded by credits into her account for those exact amounts immediately beforehand – which matches a pattern of behaviour often seen when customers are falling victim to a scam.

And so I think Revolut should have recognised that Mrs A was at risk of financial harm from fraud when she tried to make this second payment.

What did Revolut do to warn Mrs A?

Revolut says it provided several warnings to Mrs A when she made the first two payments here. The first of these was displayed when she was creating the new payee for each payment, and said:

“Do you know and trust this payee?”

If you’re unsure, don’t pay them, as we may not be able to help you get your money back. Remember, fraudsters can impersonate others, and we’ll never ask you to make a payment.”

Once she’d tried to make the payments, Revolut then held the payments and showed Mrs A some further warnings. These said that its system had identified the payments as highly unusual and put them on hold, that victims lose millions to scams every year, and that fraudsters are professional and will try to trick you into sending them money and can make their calls and advertisements seem legitimate.

Mrs A was then asked to select the purpose of the payments from a list of options Revolut presented her with. And Revolut says she selected that the payments were for cryptocurrency, so it showed her some educational screens including some which said:

“Moving funds to your own account?”

Please ensure no one besides you has access to that account”

And:

“Are you making a new investment?”

Research if what you’re investing in is a legit company or cryptocurrency”

Mrs A was then given the option to cancel the payments, but chose to proceed with them.

While these warnings did mention potential scams, they were relatively vague and general and didn’t relate to the specific circumstances Mrs S found herself in. They didn’t explain why Revolut believed the payments were high risk, or give any detail on what a cryptocurrency investment scam could look or feel like or what steps Mrs A could take to protect herself. So I don’t think these warnings were a proportionate response to the risk I think Revolut should have identified from the second payment here.

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 these 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 duty to make payments promptly, as well as what I consider to have been good industry practice at the time this payment was made.

Taking that into account, in line with what I consider to have been good industry practice at the time as well as what I consider to be fair and reasonable, when Mrs A tried to make the second payment here for £3,000 on 6 July 2023 I think Revolut ought to have asked about the purpose of the payment (for example by asking Mrs A to select a payment reason from a list of possible reasons) and then provided a warning which covered the key features of the payment purpose selected.

In July 2023, I think one of the payment purposes Mrs A could have selected should have covered the key features of cryptocurrency investment scams, given how common they were at the time. And I've seen nothing to indicate that Mrs A wouldn't have selected the most relevant payment purpose had she been asked.

The warning Revolut ought to have provided should then have highlighted, in clear and understandable terms, the key features of common cryptocurrency investment scams – for example, referring to: an advertisement on social media promoted by a celebrity of public figure, an 'account manager', 'broker' or 'trader' acting on their behalf and a small initial deposit which quickly increases in value.

I recognise that a warning of that kind could not have covered off all scenarios. But I think it would have been a proportionate way for Revolut to minimise the risk of financial harm to Mrs A by covering the key features of scams affecting many customers but not imposing a level of friction disproportionate to the risk the payment presented.

If Revolut had provided a cryptocurrency investment scam warning, would that have prevented the losses Mrs A incurred after that point?

I've thought carefully about whether a specific warning covering off the key features of investment scams would have likely prevented any further loss in this case. And on the balance of probabilities, I think it would have.

There were several key hallmarks of common cryptocurrency investment scams present in the circumstances of Mrs A's payments, such as finding the investment through social media, being assisted by a broker and being told she had made significant profit following a small initial deposit. So I think it's likely a warning highlighting these features would have resonated with her.

I've also seen no indication that Mrs A expressed mistrust of Revolut or financial firms in general. I've not seen any evidence that the scammer told her to mislead any bank that contacted her about the payments, to conceal the true purpose of the payments or to ignore any warnings she was given. And as neither Revolut nor any other bank involved in the journey of the funds showed her the type of warning I would expect, and Mrs A answered any questions she was asked honestly, I've not seen anything to suggest Mrs A would have ignored or moved past any warning she was given.

I've also taken into account that Mrs A came to the realisation herself that she might be the victim of a scam. This appears to have come about following continued delays in allowing her to withdraw her funds and requests for further payments. I think this demonstrates that Mrs A was not oblivious to the potential risk and, all things considered, I've concluded that a warning of the type I've described would have resonated with her and dissuaded her from going ahead with the second payment and therefore prevented her losses from this point on.

Therefore, on the balance of probabilities, had Revolut provided Mrs A with a proportionate warning that gave details about cryptocurrency investment scams and how she could protect herself from the risk of fraud, I believe it would have resonated with her. She could have paused and looked more closely into the investment company before proceeding and made

further enquiries into cryptocurrency investment scams. And as Mrs A looking more closely into the investment is what ultimately appears to have uncovered the scam, I'm satisfied that a timely warning to her from Revolut would very likely have caused her to take similar steps – revealing the scam and preventing her further losses.

Is it fair and reasonable for Revolut to be held responsible for some of Mrs A's loss?

In reaching my decision about what is fair and reasonable, I have taken into account that Mrs A appears to have paid money using her Revolut account to another account in her own name, rather than directly to the fraudster. So she remained in control of her money after she made the payments, and there were further steps before the money was lost to the scammer.

But as I've set out in detail above, I think that Revolut still should have recognised that Mrs A might have been at risk of financial harm from fraud when she made the payment on 6 July 2023, and in those circumstances it should have provided her with a warning about the risk of investment scams. If it had taken those steps, I am satisfied it would have prevented the losses Mrs A 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 A's own account does not alter that fact and I think Revolut can fairly be held responsible for Mrs A'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 A 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 A could instead, or in addition, have sought to complain against those firms. But Mrs A has not chosen to do that and ultimately, I cannot compel her to. In those circumstances, I can only make an award against Revolut.

I'm also not persuaded it would be fair to reduce a consumer'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.

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. And I'm satisfied I have done so and have explained how throughout this decision.

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 A's loss from the payment of 6 July 2023 onwards (subject to a deduction for Mrs A's own contribution which I will consider below).

Should Mrs A bear any responsibility for her losses?

Revolut has argued that Mrs A should have done more to protect herself here by doing a greater level of due diligence on the cryptocurrency investment company before making the payments. And I've considered whether it would be fair for Mrs A to bear some responsibility for her loss.

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 appreciate that this was a sophisticated scam, where Mrs A was put in touch with a number of people who appeared to be successfully investing using the company. But I also think there were a number of things about what was happening and what she was told that should have caused her significant concern.

Most of the communication Mrs A had with the cryptocurrency investment company appears to have been via an instant messaging app. She also doesn't appear to have been sent any documentation or paperwork relating to the investment she was making. And I wouldn't usually expect a legitimate investment company to communicate in this way, and particularly without providing at least some more formal record of her investment.

Apart from reading messages she saw on the social media platform, Mrs A doesn't appear to have done any checks into who the investment company was before making the payments. And while I appreciate she was not an experienced investor and may not have known what checks she could do, I don't think it's unreasonable to have expected her to try to carry out some checks into who she was sending the money to – particularly given the significant amount of money she was sending.

From what I've seen of her communication with the investment company, Mrs A was told several times that she could make a very significant profit on her investment – sometimes 800% or more, in a short period of time and with no risk of losing her money. She's also said she was told the investment she did make had grown over 400% in around a month. But I don't think these kinds of returns are plausible, particularly in such a short period of time and with no risk of losing money. So I think being told she could or had made such a significant profit should have caused Mrs A significant concern that what she was being told was too good to be true.

I sympathise with the position Mrs A has found herself in and recognise that she has been the victim of a cruel scam. But I think there were a number of things here which should have caused her significant concern, particularly when taken all together. And I don't think she did enough to satisfy those concerns or that the seemingly genuine parts of the scam should have been enough to overcome them.

So I think it would be fair and reasonable for her to bear some responsibility for the loss she suffered.

Customer Service

Revolut has accepted that there were delays in its response to Mrs A's complaint, and offered to pay her £100 as compensation for this. From what I've seen, I think this is fair and reasonable compensation for the distress and inconvenience this poor customer service caused to Mrs A. And so I don't think it would be fair to require Revolut to pay any further compensation.

Summary

For the reasons set out above, I think Revolut should have identified that Mrs A was at risk of financial harm from fraud as a result of some of the payments she made here. And I think the warning I would have expected it to show in response to this risk would have prevented Mrs A making the payments, and so losing the money she did from that point on. I also think it would be fair for Mrs A to bear some responsibility for the money she lost.

So I think Revolut should now refund 50% of the money Mrs A lost as a result of this scam, from the second payment of £3,000 on 6 July 2023 onwards.

My final decision

I uphold this complaint and require Revolut Ltd to:

- Refund Mrs A 50% the money she lost as a result of this scam, from the second payment of £3,000 on 6 July 2023 onwards – for a total of £10,025
- Pay Mrs A 8% simple interest on this refund, from the date of the payments until the date of settlement
- Pay Mrs A £100 compensation, if it has not done so already

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 29 May 2025.

Alan Millward
Ombudsman