

## **The complaint**

Mr R complains that Revolut Ltd didn't do enough to protect him from the financial harm caused by an investment scam, or to help him recover the money once he'd reported the scam to it.

## **What happened**

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

In May 2023, Mr R saw an advert on social media for an opportunity to invest in cryptocurrency with a company I'll refer to as "X". He clicked on the link to the company website and noted it featured an about us section, FAQs and a 24/7 live chat option. He also checked review sites and could see X had four-star reviews and positive testimonials.

Mr R completed an online contact form and was contacted by someone I'll refer to as "the scammer" who seemed professional and told him he had a background in finance. The scammer said he would be Mr R's broker and that he would receive returns ranging from 10% to 25%."

Mr R opened an account on X's trading platform, which required him to show proof of ID. He also paid an initial fee of £250. The scammer told him to download a screensharing app, to open a Revolut account, and to first purchase cryptocurrency through a cryptocurrency exchange company and then load it onto an online wallet. He transferred funds to Revolut from Bank S, Bank N, and Bank B, and on 7 June 2023, he exchanged £2,000 into cryptocurrency, before withdrawing the cryptocurrency from Revolut. Between 7 June 2023 and 30 June 2023, he made eleven debit card payments to a cryptocurrency exchange totalling £18,600.

Mr R realised he'd been scammed when he could no longer fund the payments, and he eventually lost contact with the scammer and couldn't access the trading platform.

Mr R complained to Revolut with the assistance of a representative who said it should have intervened because Mr R deposited over £20,000 to a payee associated with cryptocurrency. They stated it should have given him clear scam warnings and encouraged him to carry out further checks, and even if the scam wasn't fully exposed, he'd have agreed the risk of continuing to invest with an unregulated firm was too high to accept.

But Revolut refused to refund any of the money he'd lost. It said it didn't raise a chargeback claim because Mr R didn't respond to its questions, but there was no possibility of a valid claim as the payments were authorised via 3DS.

Mr R wasn't satisfied and so he complained to this service with the assistance of a representative who said he wasn't given effective warnings, and he went ahead with the payments because he thought the investment was genuine.

The representative said Revolut should have intervened because Mr R was sending high value payments to multiple new payees in quick succession, there was a sudden increase of spending, and a rapid depletion of funds from a newly opened account. They said it should have contacted him and asked whether there were any third parties involved, how he met them, and whether the returns were plausible. And as he hadn't been coached to lie, he'd have explained that he was being assisted by a broker and the scam would have been exposed.

Responding to the complaint, Revolut explained that chargeback claims were rejected because the service was considered provided by the cryptocurrency merchant, and the card payments were authenticated via 3DS.

It explained that at the time of the payments, it was an Electronic Money Institute (EMI) and typically this type of account is opened and used to facilitate payments to cryptocurrency wallets, so the type of payments weren't out of character with the typical way in which an EMI account is used. It said the transactions aligned with the established purpose of the account and it had no reason to suspect that they were being made as a result of fraud as he was purchasing cryptocurrency from a legitimate merchant and sending funds to an account in his own name and control.

Additionally, it stated that Mr R was warned that cryptocurrency transactions aren't reversible and stated that it doesn't fall within the jurisdiction of this service.

Our investigator has recommended that the complaint should be upheld. She explained that the withdrawal of cryptocurrency isn't a regulated activity, but the acceptance of funds into the account and the subsequent request for Revolut to exchange fiat money into cryptocurrency is ancillary to payment services, so we can consider the exchange into cryptocurrency as part of the complaint, but we can't look at the crypto withdrawals.

Our investigator explained that payments one to three wouldn't have warranted any intervention because they were relatively low value and were made a day apart. But she thought payment four ought to have been concerning because it was the second payment that day, and the cumulative total for the day was £3,500 to an identifiable cryptocurrency provider. She explained that Revolut ought to have provided a warning tailored to cryptocurrency investment scams explaining that these scams often involve social media, third-party companies with professional looking websites, promises of returns which are too good to be true, and being asked to download screensharing software.

Our investigator thought this would've resonated with Mr R because his situation shared these features. She noted there was no evidence to suggest he wouldn't have listened to a warning from Revolut, and he wouldn't yet have invested a large amount so she thought he would likely have paused and looked more closely into X and ultimately chosen not to go ahead with the payments.

Our investigator recommended that Revolut should refund the money Mr R had lost from the fourth payment onwards, but the settlement should be reduced by 50% for contributory negligence because he was promised implausible returns and there were negative reviews about X dated around the time of the investment, in particular one dated 30 April 2023 which strongly warned that it was a scam.

Finally, she explained that a chargeback request wouldn't have been successful because he would have received a service from the cryptocurrency merchant. And he wasn't entitled to any compensation.

Revolt has asked for the complaint to be reviewed by an Ombudsman. It has further argued that these were self-to-self transactions to legitimate cryptocurrency platforms, so the fraud didn't occur on the Revolut platform. It also cited the case of R (on the application of Portal Financial Services LLP) v FOS [2022] EWHC 710 (Admin), arguing that we should consider whether Mr R was warned by any of the external banks because this is relevant to whether he acted negligently in disregarding any such warnings.

### **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 conclusion as our investigator. And for largely the same reasons.

#### *Jurisdiction*

Our service can consider a wide variety of complaints about financial services, but we can't consider all the matters referred to us. The Dispute Resolution Rules (DISP) set out the complaints that fall within our remit and are found in the Financial Conduct Authority's (FCA) handbook. Mrs H's complaint arises from her customer relationship with a UK based firm, which is regulated by the FCA. But there are other factors which affect whether our service can consider a complaint – and DISP includes limits on the activities we can review.

According to the rules, we can consider a complaint under our Compulsory Jurisdiction if it relates to an act or omission by a firm in carrying on one or more of the activities listed under DISP 2.3. Having reviewed those activities, I've decided we can't look into the part of Mr R's complaint which relates to the transfer or withdrawal of cryptocurrency from the Revolut platform. I hope the below explanation of why is helpful.

Mr R had an account with Revolut which allowed him to trade in cryptocurrency. But the operation of cryptocurrency services isn't currently a regulated activity, or one that's listed under DISP 2.3 – so we aren't able to look into complaints about it. Cryptocurrency isn't electronic money or 'fiat currency' according to the FCA – instead it classifies cryptocurrency, and similar crypto-assets, as 'exchange tokens'. So, while Revolut is also a Payment Services provider, the withdrawal of cryptocurrency doesn't concern e-money or a payment account – and so doesn't fall under our remit as being about a payment service.

However, our service can look into complaints about activities that are ancillary to the ones covered by us (those listed under DISP 2.3). The steps leading up to the transfer/withdrawal of cryptocurrency also includes both the acceptance of funds into Mrs H's account and then a subsequent request for Revolut to exchange fiat money into cryptocurrency.

I am satisfied that these earlier steps amount to payment services, and in the case of the exchanges, at the very least an activity which is ancillary to payment services. Given the broad nature of this complaint, I'm satisfied that the exchange to cryptocurrency is an activity our service can consider.

For the reasons I've given, our service doesn't have the remit to consider the element of Mr R's complaint which relates to the transfer/withdrawal of cryptocurrency from the Revolut platform.

#### *Prevention*

There's no dispute that this was a scam, but although Mr R didn't intend his money to go to scammers, he did authorise the disputed payments. Revolut is expected to process payments and withdrawals that a customer authorises it to make, but where the customer has been the victim of a scam, it may sometimes be fair and reasonable for the bank to reimburse them even though they authorised the payment.

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 June 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;
- 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 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.

I've thought about whether Revolut could have done more to prevent the scam from occurring altogether. Buying cryptocurrency is a legitimate activity and from the evidence I've seen, the payments were made to a genuine cryptocurrency exchange. However, Revolut ought to fairly and reasonably be alert to fraud and scams and these payments were part of a wider scam, so I need to consider whether it ought to have intervened to warn Mr R when he tried to make the payments. If there are unusual or suspicious payments on an account, I'd expect Revolut to intervene with a view to protecting Mr R from financial harm due to fraud.

The payments didn't flag as suspicious on Revolut's systems. The first three transactions were low value and so it wouldn't have needed to intervene. But the fourth payment brought the cumulative total for the day to £3,500 to a high-risk cryptocurrency merchant from a newly opened account and so it should have intervened. In June 2023, I think a proportionate response would have been for Revolut to have provided a written warning which was tailored to cryptocurrency investment scams, covering off the key features of this type of scam.

I've thought carefully about whether this would likely have prevented Mr R's loss and I think it would have. There were several key hallmarks of common cryptocurrency investment scams present in the circumstances of the payments, such as finding the investment through an advertisement on social media, being assisted by a broker, and being asked to download a screensharing device.

I haven't seen any evidence that Mr R was asked, or agreed to, lie or to disregard any warnings provided by Revolut. I've also seen no indication that he expressed mistrust of Revolut or financial firms in general. Further, the weight of evidence that I've outlined persuades me that Mr R was not so taken in by the scammer that he wouldn't have listened to the advice of Revolut, and I've seen confirmation from his other banks that he wasn't provided with any warnings about cryptocurrency investment scams which he then ignored.

Therefore, on balance, had Revolut provided Mr R with an impactful warning that gave details about cryptocurrency investment scams and how he could protect himself from the risk of fraud, I believe it would have resonated with him and he could have paused and looked more closely into the scammer before proceeding, which would include making further enquiries into cryptocurrency scams and whether or not the scammer was regulated in the UK or abroad. And I think this would have stopped the scam.

Because I'm satisfied that Revolut missed an opportunity to intervene and that this represented a missed opportunity to have prevented his loss, I agree with our investigator that it should refund the money he lost from the fourth payment onwards.

### *Contributory negligence*

There's a general principle that consumers must take responsibility for their decisions and conduct suitable due diligence. In recent years instances of individuals making large amounts of money by trading in cryptocurrency have been highly publicised to the extent that I don't think it was unreasonable for Mr R to have believed what he was told by the scammer in terms of the returns he was told were possible, notwithstanding the fact it was highly implausible.

Mr R hadn't invested in cryptocurrency before and so this was an area with which he was unfamiliar. He wouldn't have known the involvement of social media and screen sharing devices was a red flag. This unfamiliarity was compounded by the sophisticated nature of the scam, the fact he trusted the broker, and the fact he believed the trading platform was genuine.

However, Mr R was following the guidance of someone he'd found on social media who he'd never met, and it seems he didn't do reasonable due diligence because there was negative information online about X which he would likely have seen if he'd done some simple research. As this might have prevented his loss at the outset, I agree with our investigator that Mr R should share some responsibility for his loss and that the settlement should be reduced by 50% for contributory negligence.

### *Recovery*

I don't think there was a realistic prospect of a successful recovery because Mr R paid an account in his own name and moved the funds onwards from there.

Mr R's own testimony supports that he used cryptocurrency exchanges to facilitate the transfers. It's only possible to make a chargeback claim to the merchant that received the disputed payments. It's most likely that the cryptocurrency exchange would have been able to evidence they'd done what was asked of them. That is, in exchange for Mr R's payments,

they converted and sent an amount of cryptocurrency to the wallet address provided. So, any chargeback was destined fail, therefore I'm satisfied that Revolut's decision not to raise a chargeback request against the cryptocurrency exchange company was fair.

### *Compensation*

The main cause for the upset was the scammer who persuaded Mr R to part with his funds. I haven't found any errors or delays to Revolut's investigation, so I don't think he is entitled to any compensation.

### **My final decision**

My final decision is that Revolut Ltd should:

- refund the money Mr R lost from the fourth payment onwards.
- this settlement should be reduced by 50% to reflect contributory negligence.
- pay 8% simple interest\*, per year, from the respective dates of loss to the date of settlement.

\*If Revolut Ltd deducts tax in relation to the interest element of this award it should provide Mrs S with the appropriate tax deduction certificate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 27 April 2025.

Carolyn Bonnell  
**Ombudsman**