

The complaint

U, a limited company, complains that Revolut Ltd won't refund them for transactions that they say they didn't agree to. They'd like the funds returned, along with interest.

For this case U have appointed representatives, but for ease of reading in this decision I'll refer solely to U.

What happened

In September 2023 U received a call from a person claiming to be from Revolut. They explained that there was unusual activity on U's account, and a manager at U was needed to take action to prevent the account being used. The exact nature of what was discussed isn't entirely clear. But during this conversation that manager at U has given over codes that allowed U's Revolut card to be connected to a digital wallet on a new device.

A payment of £48,000 was attempted but blocked by Revolut. They sent an email to U asking if the payment was legitimate, and received a response confirming it was genuine. There were subsequently three payments using the new device – for £48,000, £45,000 and £25,524. Later that day U were persuaded to send a bank transfer of £25,000 to a safe account. After this the manager at U got suspicious and contacted Revolut's chat. They learned that the caller was a scammer.

The £25,000 payment was recovered in full. U asked Revolut to reimburse them for their remaining losses. Revolut declined to do so, reasoning that U hadn't done enough to verify that the caller was genuine, and that by sharing the code to set up the new payment device they had authorised the payments. They said they had intervened on the first payment, as it was unusual and out of character – but U had confirmed it was genuine. Revolut said they could not pursue a chargeback under the card scheme rules.

Unhappy with this answer U referred their complaint to our service. One of our investigators looked into what happened but didn't think Revolut needed to do anything further. They reasoned that even if U had not carried out all the steps to make the transactions, they were aware payments were to be made to a safe account. So, it was reasonable for Revolut to treat them as authorised. And they thought that intervention by Revolut was proportionate, and that their attempts to recover funds was reasonable.

U disagreed that the payments were authorised, arguing that as they hadn't completed the form and procedure of the payments the relevant regulations say that Revolut should be liable for reimbursing them, and that they hadn't been grossly negligent in sharing the details. They also said Revolut should have intervened earlier, and that this will have uncovered the scam. But this didn't change the investigator's mind. As there was no agreement the complaint was passed to me to decide. Upon review I asked for some additional information about U's business and related entities, which was received. I issued a provisional decision, which said:

Authorisation and keeping security details safe

The relevant regulations to this complaint are the Payment Services Regulations 2017 (PSRs). These outline the expectation on payment service providers (PSP) in how to process transactions, and when transactions would be considered authorised. The key consideration is whether the payer gives their consent to a payment using the “form and procedure” agreed with the PSP.

The regulations also outline when a PSP will be liable for any unauthorised transactions. Generally, a PSP would be expected to refund any transactions a payer didn't make or agree to, subject to certain caveats – such as the test of whether the payer has kept their personalised security credentials secure. U has referred to this test in the response to the investigator's opinion. This is outlined in Section 77 of the PSRs.

But Section 63 (5) of the PSRs says that for payers who are not consumers, micro-enterprises, or charities, both parties can agree that certain sections do not apply. A micro-enterprise is defined as an enterprise with turnover and/or balance sheet of less than €2million, and fewer than 10 employees. But I'm also required to take in to account any linked or partner enterprises, including those in other countries.

In this case, having looked at the staff numbers, and turnover of both U and the businesses connected to it, mean that at the point of the payment U was too large a business to be considered a micro-enterprise.

In the terms of U's Revolut account, U is referred to a “large corporation”. And under the heading “Corporate Opt-Out” it explains that the parties are agreeing that several sections of the PSRs do not apply to large corporations – including for this case Section 77.

Under Section 24 of Revolut terms at the time, it explains the expectations instead:

If you are a large corporation the rules in section 24 above will not apply to you. Instead, you must contact us within three months of the date the money was stolen from your account. We'll then refund the amount that was stolen and restore your account to the state it would have been in if the amount had not been stolen. We won't provide a refund if the theft happened because you didn't keep your security details safe or evidence suggests that you acted fraudulently. We'll treat any payment instruction given using the Revolut Card or the Open API as evidence that you authorised the payment or didn't keep your security details safe.

The test in relation to unauthorised payments here isn't whether U were grossly negligent – as in proceeding with actions that show a significant disregard of an obvious risk. Instead, it's whether security details were kept safe. This is quite a broad term, but I have considered how this term applies to the circumstances of the complaint and what is a reasonable expectation of a business customer.

It's accepted by both parties that the manager at U provided a one-time passcode (OTP) to the scammer – albeit under false pretences. And the OTP would be considered part of the range of security details here, as it is a security feature intended to identify whether an instruction received was legitimate.

The wording of the OTP is very clear that it is to set up a new payment device, and that it should not be shared. And from what we've been told U understood that this would lead to payments being made on their account. On that basis, I see that by giving over the code U have failed to keep their security details safe. Under the account terms I see that it's reasonable that Revolut can hold U liable for any losses that flow from this.

This broadly means that that any finding I make on whether these specific payments were authorised or not is moot – in either eventuality Revolut can hold U liable. As such I don't intend to make a finding on this point.

This however is only a conclusion on whether the relevant regulations, or the terms of the account, would ordinarily require Revolut to refund U. I've gone on to consider what's fair and reasonable in the circumstances of the complaint.

Could Revolut have done more to prevent the scam?

Generally, under the PSRs Revolut will be expected to process payment requests without further intervention – including those made by card or through a device payment. But Revolut also have legal and regulatory obligations to monitor accounts for signs that their customer may be falling victim to financial distress, or financial crime. The terms reference these obligations as something that may prevent them from making the payment, or requiring to carry out further checks.

And here, we know Revolut intervened initially, after the new payment device had been set up, by blocking the first payment request for £48,000 and emailing U to ask for confirmation this was a genuine transaction. I think it's reasonable for them to have intervened in this manner. I've reviewed the email template, and I'm satisfied that it would be reasonably clear that a payment was being made – and it's not disputed that the manager at U confirmed that this was genuine and unblocked the account.

So, in a period of less than 30 minutes Revolut have asked U to confirm the setting up on the payment device with the OTP, and then that a payment transaction on that device was genuine and had positive responses to both. And given the size of U's business, I think it's a reasonable for Revolut to have an expectation that they would have processes and controls for making payments.

Since U had confirmed the device and at least one payment of £48,000 as genuine, I'm not minded the next two payment requests ought reasonably to have prompted further intervention – such as further blocking of the account again. The last payment of £25,000 was unlike the others in that it was in person with the merchant. It is however for a smaller amount. And to Revolut this device was in the possession of someone authorised to make payments from U's account. So, I'm also not minded this should have prompted a further intervention.

In this case I'm persuaded that the response from Revolut was proportionate, and I don't see there was an obvious failing that it would be reasonable to say they are liable to refund U.

Recovery of funds

The £25,000 bank transfer was returned to U – the reason for this remains unclear. But overall, I'm pleased to hear this loss was recovered.

As U's card details were loaded to the payment device, I've considered the Mastercard rules around chargeback and whether this would have been an avenue Revolut could have pursued. But having reviewed the rules I'm not persuaded there is a valid chargeback reason – in that eventuality it's unlikely to have been successful. So, I don't see it's unreasonable that Revolut declined to pursue this.

Conclusions

Overall, I've no doubt that U has been the victim of a sophisticated scam here, and they have been robbed of their funds. But that isn't the determining factor in whether Revolut should refund them for their losses.

I'm not persuaded that Revolut have been unreasonable in declining to refund U, for the reasons given above. On that basis I'm not minded they need to do anything further.

Revolut did not respond before the deadline. U responded to say, in summary:

- They would like confirmation of the regulations that mean partner and linked enterprises are required to be taken in to account when deciding whether a business is a micro-enterprise or not.
- That when the OTP was shared it was under the belief they were talking to Revolut. As such, they did not feel they had failed to keep their security details safe.
- The Revolut ought reasonably to have intervened further to prevent the transaction, acknowledging that while the director likely approved one payment a more forceful intervention would have prevented the losses. The director had likely approved one payment, but was under significant pressure from the scammers at the time.
- As a financial business Revolut would be aware that sending substantial card payments would be suspicious and significantly out of character.

It now turns to me to consider all the evidence afresh.

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.

I've considered the comments and points raised by U in response to my provisional decision. But overall, I remain satisfied with the outcome reached in the provisional decision.

To clarify regarding what is a micro-enterprise, the PSRs refer to the definition provided in "Article 1 and Article 2(1) and (3) of the Annex to Recommendation 2003/361/EC of 6th May 2003 concerning the definition of micro, small and medium-sized enterprises" – which is also the same definition of micro-enterprise used by the Financial Conduct Authority for their Dispute Resolution (DISP) rules, that our service operates under. This is used in conjunction with the European Commission's "User Guide to the SME Definition". This explains how to consider linked and partner enterprises, when deciding on whether an enterprise meets the definition of a micro-, small or medium enterprise.

In this case I'm satisfied it's appropriate for me to consider U's linked enterprises when determining the size of the business. And I'm satisfied that U doesn't meet the criteria to be a micro-enterprise – and as such Revolut are entitled to rely upon the provisions in the PSRs to disapply certain provisions and agree the alternative considerations from the terms.

I appreciate what U has said about the OTP being shared because they were under the mistaken belief that were talking to Revolut. On a plain factual basis, the director has not kept the security details safe by sharing this OTP.

But I've also considered what's fair and reasonable in circumstances. The OTP is clear what it was for, and that it shouldn't be shared. The director seems to have understood this would lead to payments being made from the account. I don't see that the director took reasonable steps to protect the security details by handing over, so I'm satisfied that Revolut are reasonable by declining to refund the transactions.

In terms of the intervention, my expectation is that any intervention would need to be proportionate to the perceived risk. And for accounts for larger businesses, such as U, it's not unreasonable for Revolut to also expect them to have their own systems and controls in place. There is a balance to be struck between preventing potentially fraudulent transactions and allowing customers to transact easily – particularly for business accounts, where transaction amounts and regularity can vary considerably over the lifespan of the account.

I agree with U that the payment method is important – and here the payments were from a newly created payment device. And we know Revolut did intervene and sent the email asking for confirmation. U doesn't feel this was enough, and that a Revolut should have carried out a more extensive intervention.

Considering the circumstances I'm satisfied this was proportionate – the director was given the information that a payment had been set up and blocked, and it's clear they saw this information as they subsequently confirmed it was expected. So, in a short period of time a director of U had seemingly confirmed the creation of a new payment device, and then subsequent payments from that device. Considering U was considered by Revolut to be a large corporate business, with directors who are expected to act in the best interests of the company, I can see why they would feel any further risk was mitigated.

So, I'm not persuaded that Revolut have failed significantly in not carrying out a more forceful intervention. While I've no doubt this was a very difficult experience for U and the staff involved, I don't see that it would be reasonable to ask Revolut to refund them for their losses.

My final decision

My final decision is that I do not uphold this complaint.

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

Thom Bennett
Ombudsman