

The complaint

Mr V is complaining about Revolut Ltd because it declined to refund money he lost as a result of fraud.

What happened

Sadly, Mr V fell victim to a cruel scam. He already had an account with Revolut that he'd used for a number of different purposes, including some purchases of cryptocurrency. He was contacted by someone claiming to be from Revolut's anti money laundering team, who told him he had cryptocurrency in an online wallet that was frozen. To release this he was told he'd need to make payments to show he was still trading. Mr V then made the following payments to the scam:

No.	Date	Amount £	Recipient	Notes
1	9 Feb 2024	2,000	individual	transfer
2	13 Feb 2024	2,000	unclear	exchanged to BTC before being paid away
3	14 Feb	1,850	crypto provider	card payment

The account transaction history also shows Mr V exchanged a further £2,000 to BTC on 14 February 2024, but this doesn't appear to have left his account. Instead, it was exchanged back to GBP and looks to have funded payment 3 above.

My provisional decision

After the complaint was referred to me, I issued my provisional decision setting out why I thought it should be partly upheld. My reasons were as follows:

In this case, there's no dispute that Mr V authorised the above payments.

In broad terms, the starting position at law is that an 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.

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 V 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" (Section 20).

So, Revolut was required by the terms of its contract to refuse payments in certain circumstances, including to comply with regulatory requirements such as the Financial Conduct Authority's Principle for Businesses 6, which required financial services firms to pay due regard to the interests of their customers and treat them fairly. I am satisfied that paying due regard to the interests of its customers and treating them fairly meant Revolut should have been on the look-out for the possibility of fraud and refused card payments in some circumstances to carry out further checks. In practice Revolut did in some instances refuse or delay payments at the time where it suspected its customer might be at risk of falling victim to a scam.

I must also take into account that the basis on which I am required to decide complaints is broader than the simple application of contractual terms and the regulatory requirements referenced in those contractual terms. I must determine the complaint by reference to what is, in my opinion, fair and reasonable in all the circumstances of the case (DISP 3.6.1R) taking into account the considerations set out at DISP 3.6.4R.

Whilst the relevant regulations and law (including the law of contract) are both things I must take into account in deciding this complaint, I'm also obliged to take into account regulator's guidance and standards, relevant codes of practice and, where appropriate, what I consider to have been good industry practice at the relevant time: see DISP 3.6.4R. So, in addition to taking into account the legal position created by Revolut's standard contractual terms, I also must have regard to these other matters in reaching my decision.

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

- *using algorithms to identify transactions presenting an increased risk of fraud;¹*
- *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; and*
- *providing increasingly tailored and specific automated warnings, or in some circumstances human intervention, when an increased risk of fraud is identified.*

For example, it is my understanding that in February 2024, Revolut, whereby if it identified a scam risk associated with a card payment through its automated systems, could (and sometimes did) initially decline to make that payment, in order to ask some additional questions (for example through its in-app chat)

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 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 Code², 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*

¹ 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/

² BSI: PAS 17271: 2017” Protecting customers from financial harm as result of fraud or financial abuse”

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 Duty³, 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"⁴.*
- *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*
- *The main card networks, Visa and Mastercard, don't allow for a delay between receipt of a payment instruction and its acceptance: the card issuer has to choose straight away whether to accept or refuse the payment. They also place certain restrictions on their card issuers' right to decline payment instructions. The essential effect of these restrictions is to prevent indiscriminate refusal of whole classes of transaction, such as by location. The network rules did not, however, prevent card issuers from declining particular payment instructions from a customer, based on a perceived risk of fraud that arose from that customer's pattern of usage. So it was open to Revolut to decline card payments where it suspected fraud, as indeed Revolut does in practice*

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 February 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 been mindful of – among other things – common scam scenarios, how*

³ 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.

⁴ The Consumer Duty Finalised Guidance FG 22/5 (Paragraph 5.23)

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;

- 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; and*
- 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).*

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

This analysis is focussed on the situation regarding card payments as this was the nature of the payment where I think Revolut should have been able to stop the scam for reasons I'll come to. I appreciate the situation is slightly different for transfers but I haven't covered this here as the differences don't affect my view on the outcome of the complaint.

Should Revolut have recognised that Mr V was at risk of financial harm from fraud and what did it do to warn him?

On 8 February 2024, the day before payment 1, Mr V tried to transfer £2,000 three times. Revolut declined all three of these payments and spoke to Mr V through the in-app chat. In addition to warning him that fraudsters sometimes pretend to be the bank and that it would never ask him to make a payment, the agent asked Mr V about the purpose of the payment. He answered that he was trying to repay a friend he'd borrowed money from.

On 12 February, the day before payment 2, Mr V tried to transfer £3,000 to a different individual. Again, Revolut spoke to him via the in-app chat. It repeated warnings about fraudsters impersonating the bank and that it would never ask him to make a payment. When he was asked about the purpose of the payment, on this occasion Mr V said he was buying a wedding present for a friend.

Contrary to what it said in response to the investigator's assessment, the fact Revolut felt such interventions were necessary suggests it did feel there was reason to suspect Mr V may be at risk of harm from fraud. But in view of the amounts involved and the answers given by Mr V, I'm satisfied no further intervention was required before payments 1 and 2 were processed. In response of payment 2, I'm also conscious Mr V appears to have purchased cryptocurrency using his Revolut account before so this activity wasn't necessarily unusual for him.

The circumstances surrounding payment 3 are much more unusual. Later on 13 February, after payment 2 had been made, Mr V tried to transfer money back to his own account with another bank. Again, Revolut spoke to him through the in-app chat. As the chat unfolded, Mr V gave the agent the name of the scammer and asked what department he worked in. The agent didn't answer this question but Mr V then revealed he thought he'd been scammed. He then explained the circumstances behind his recent activity, saying he thought he was making payments to recover missing cryptocurrency and overnight he provided multiple screenshots of his text chats with the scammer.

The agent thanked Mr V for the information he'd provided and said everything would be passed to the relevant team and that somebody should contact him again within 1 business day. But the agent did also say to Mr V at 11.26 on 14 February:

From what you have explained, it seems that you were a victim of a Revolut impersonation scam.

Within 30 minutes of this comment, Mr V instructed payment 3 to a cryptocurrency provider. Revolut declined this payment twice, but then processed it at the third attempt. And aside from a possible generic warning if this was to a new payee, there was no further attempt by Revolut to contact Mr V before it did so.

What kind of warning should Revolut have provided in connection with payment 3?

As I've explained, I think the interventions by Revolut prior to processing payments 1 and 2 were appropriate in view of the risks posed by those payments. Consequently, I'm not recommending that it refund these amounts.

By the time of payment 3, however, Revolut had already told Mr V it believed he was the victim of an unfolding scam. It knew that scam involved cryptocurrency and it's not clear why it would have felt it was reasonable to process payment 3 to a cryptocurrency provider at this time and against this background.

Having thought carefully about the risk payment 3 presented, I think a proportionate response to that risk would have been for Revolut to continue declining the payment until it had been able to establish the circumstances surrounding it before allowing it to debit Mr Vs account. As with its interventions in the preceding days, I think it should again directed him to the in-app chat to discuss the payment further.

If Revolut had provided a warning of the type described, would that have prevented the losses Mr V suffered from payment 3?

When submitting its file to us, Revolut set out its view that Mr V was firmly under the spell of the scammer and that any further intervention on its part wouldn't have prevented him making the payments. I think this comment is probably valid in respect of payments 1 and 2 where Mr V clearly wasn't giving accurate information about what he was doing. And as I've said, I'm satisfied Revolut made appropriate interventions on these occasions anyway.

But I think the situation had changed by the time of payment 3. The in-app chat shows Mr V was aware of the possibility he was being scammed. Given what he'd said about what was going on and the amount of evidence he'd provided, I think by this time he was in a position where he was being honest with the bank and would most likely have answered any questions asked truthfully.

If Mr V had spoken to a suitably trained agent before payment 3 was processed, I think they'd have been able to ask a lot more questions about the purpose of the payment and establish how the scam was taking place. Mr V had already told Revolut the name the scammer had given him and its agent should presumably have been able to confirm this was fictitious. It would also have been able to tell him that its anti money laundering staff would never contact him in this way.

Mr V says he made the payment on 14 February after further contact from the scammer reassuring his everything was legitimate. But if he'd had the sort of

conversation I've described with a Revolut agent via its official in-app chat before the money was paid away, I think it's likely he'd have been persuaded not to proceed.

What about the actions of Mr V's bank?

This was a multi-stage fraud that saw Mr V move money from his bank to Revolut 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 bank 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 Mr V's bank to establish if it attempted any kind of intervention before transferring his money to Revolut on 8 and 12 February 2024 and, if so, how this affects my assessment of whether or not he acted reasonably in the circumstances.

Mr V's bank has told us it didn't attempt any sort of intervention in response to these transfer requests. So I don't think there was anything from his bank that should have alerted him to the fact was speaking to a scammer or that changes my views about how Revolut should have dealt with this situation and whether he acted reasonably in the circumstances with which he was faced.

Is it fair and reasonable for Revolut to be held responsible for some of Mr V's losses from payment 3?

In reaching my decision about what's fair and reasonable, I have taken into account that Mr V paid money using his Revolut account to another account in his own name, rather than directly to the scammer, so he remained in control of the money after he made the payment, and there were further steps before the money was lost to the scammer.

However, for the reasons I've set out above, I'm satisfied it would be fair to hold Revolut responsible for Mr V's loss from payment 3, subject to a deduction for his own contribution towards this. As I've explained, the potential for multi-stage scams, particularly those involving cryptocurrency, ought to have been well known to Revolut. And as a matter of good practice, I consider it fair and reasonable that Revolut should have been on the look-out for payments presenting an additional scam risk, including those involving multi-stage scams.

I've also taken into account that other businesses were involved in the overall process that ended up with payments being made to the scammer, and that Mr V might potentially have a claim against them in respect of their actions (although those businesses are not a party to this complaint and so I make no finding about their role here).

Whilst the dispute resolution rules (DISP) give me the power (but do not compel me) to require a financial business to pay a proportion of an award in circumstances where a consumer has made complaints against more than one financial business about connected circumstances, Mr V has not referred a complaint about any other business to me and DISP does not empower me to instruct him to make or refer a complaint to me about another business.

Should Mr V bear any responsibility for his losses from payment 3?

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.

The account history appears to show Mr V had purchased cryptocurrency previously. So I can understand why he might have believed the scammers initially when they told him there was currency in a wallet that he was entitled to claim. But by the time of making payment 3, Mr V was already aware that he may be being scammed and was awaiting the results of an investigation by Revolut. In these circumstances, I think he should have proceeded with extreme caution and, on balance, 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 V's losses once it was aware that the payments were the result of fraud.

In its submission to us, Revolut said it contacted the recipient businesses but was told there was no money available for recovery. That's not particularly surprising as 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.

In respect of payment 1, it appears this was to another individual to make a legitimate purchase of cryptocurrency that was then transferred to an account under the scammer's control. In those circumstances, we wouldn't expect the business to be able to recover funds from a (most likely) genuine seller of cryptocurrency who wasn't involved in the scam.

Payment 3 involved the transfer of funds to a legitimate cryptocurrency account in Mr V's own name. If Revolut tried to recover the funds, it could only have tried to do so 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 payment 3 was a card payment, I've also considered whether Revolut should have tried to recover the money through the chargeback scheme. This is a voluntary agreement between card providers and card issuers who set the scheme rules and is not enforced by law.

A chargeback isn't guaranteed to result in a refund, there needs to be a right to a chargeback under the scheme rules and under those rules the recipient of the payment can defend a chargeback if it doesn't agree with the request.

We'd only expect Revolut 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. Mr V paid a legitimate cryptocurrency exchange and would have received the service he asked for. Mr V's 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.

So, I don't think anything that Revolut could have done differently would have led to these payments being successfully recovered.

In conclusion

For the reasons I've explained, I don't think Revolut acted completely fairly and reasonably in its dealings with Mr V and I'm upholding this complaint in part. While I don't think it acted incorrectly in processing payments 1 and 2 in line with Mr V's instructions, if it had carried out an appropriate intervention before payment 3 debited

his account, I'm satisfied that payment would have been prevented. This is where my conclusions differ from those of our investigator, who felt Revolut should also have prevented payment 2. I realise this outcome will be somewhat disappointing for Mr V, but I'm satisfied it's fair and reasonable in the circumstances.

The responses to my provisional decision

Neither party made any further comment in response to my provisional 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.

As neither party has made any further submissions, my findings haven't changed from those I set out previously.

Putting things right

The principal aim of any award I make must be to return Mr V 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 V would have retained the money that was lost from payment 3. As outlined above, I've applied a 50% deduction to the amounts to be refunded in recognition of Mr V's own contribution towards the loss.

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

- A = a refund of 50% of payment 3 outlined above; and
- B = simple interest on the amount being refunded in A at 8% per year from the date of the payment to the date compensation is paid.

Interest is intended to compensate Mr V 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 V 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 partly uphold this complaint. Subject to Mr V'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 V to accept or reject my decision before 8 April 2025.

James Biles
Ombudsman