

The complaint

Ms L is unhappy Revolut Ltd declined to reimburse her for the money she lost when she fell victim to a scam.

What happened

Ms L is represented in this complaint by a solicitor, for simplicity I will refer to Ms L throughout this decision, even when referencing what her representatives have said on her behalf.

In March 2021 Ms L fell victim to an impersonation scam. She was contacted by an individual claiming to work for the police, who told her she had made errors in paperwork completed when she moved to the UK and that she was being investigated. She was told she must make a payment to avoid prosecution and deportation. Unfortunately, and unknown to her at the time, Ms L was actually speaking with fraudsters.

Believing that she was genuinely dealing with a legitimate representative of the police, and frightened of what would happen if she did not do as she was told, Ms L ended up transferring a large sum of money to her Revolut account, and then sent the entire balance of her Revolut account - £9,740.82 – to a third party. Once the scammers had ended the call, and Ms L was unable to get back in touch with them, she realised she may have been scammed and contacted Revolut.

Ms L asked Revolut if she could cancel the transfer. Revolut asked for the details of the payment and then confirmed it had been already been completed. Ms L told Revolut at this stage that she believed she had been scammed and Revolut said it would investigate. Ms L chased Revolut in May 2021, saying she was waiting for a refund, but Revolut does not appear to have told Ms L the outcome of any investigation or asked her for any further information at this stage.

With the involvement of a representative Ms L raised a complaint with Revolut in November 2023. Revolut looked into what had happened but ultimately told Ms L that it wouldn't be reimbursing her for the payment she had made from her account. Amongst other arguments, it said it had not been provided with adequate information to properly investigate Ms L's claim. Revolut nonetheless noted that it had provided Ms L with a 'new payee' warning when she made the payment. It also said it believed Ms L was so under the spell of the scammer that it was unlikely any warning would have been effective, and noted that a large proportion of the funds that were sent to the scammer had originated at another bank (L) which could also have intervened in the payment.

Unhappy, Ms L referred the matter to our service. One of our Investigators looked into what had happened, and they felt that Revolut had acted appropriately by providing the 'new payee' warning, they did not consider it needed to have done anything more at that time.

Ms L disagreed, she felt that the scam payment was unusual enough that Revolut should have intervened directly to establish the circumstances surrounding the payment. And that, had it done so, the scam would have been uncovered.

As no agreement could be reached, this case was passed to me for review. I issued a provisional decision on this case on 6 March 2025, explaining why I felt that Revolut could have done more to protect Ms L from this scam, and recommending that it refund her loss and pay some compensation for the way her claim had been handled.

Ms L accepted my provisional findings, Revolut did not respond.

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 my provisional decision I explained the following:

"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 Ms L 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 Ms L 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 in March 2021 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;²*
- 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 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*

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).

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/>

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 Code³, 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).*
- 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 in March 2021 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 Ms L was at risk of financial harm from fraud?

The payment Ms L made towards this scam was significantly larger than any previous payment made from her Revolut account at almost £10,000. It was also to a recently added new payee, had been partially funded by a large payment in from another bank, and cleared the entire balance of Ms L's Revolut account. These circumstances should, I think, have

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

caused some concern to Revolut, and led to it taking steps to intervene before allowing this payment to be made.

What did Revolut do to warn Ms L, and what should it have done?

When Ms L set up the new payee, Revolut provided her with a general message asking her if she knew and trusted the payee, warning that scammers could impersonate other people, and confirming that Revolut would not ask her to move her money.

But while this warning does contain some information relevant to Ms L's circumstances, the warning isn't particularly prominently displayed, requires no interaction or real engagement from the customer and, in my view, lacks sufficient context to have been impactful in the circumstances of this case.

And having thought carefully about the risk the payment presented, I think a more proportionate response to that risk would have been for Revolut to have attempted to establish the circumstances surrounding the payment before allowing it to debit Ms L's account. I think it should have done this by, for example, directing Ms L to its in-app chat to discuss the payment further.

And I think that kind of direct contact with Ms L would likely have made the difference here. While there's obviously a balance to strike, Revolut ought fairly and reasonably to have satisfied itself that Ms L hadn't fallen victim to a scam, and I'm persuaded it could've done this by asking a few open-ended questions.

I've not seen anything to suggest that Ms L was given a cover story about the payment she was making, or that she was otherwise told to lie to Revolut. So, had Revolut intervened in this way I think it would have quite quickly come to light that Ms L was making a payment to what she believed to be an account associated with the police. And given that this kind of scam is fairly well known, I think it would have been clear to Revolut that Ms L was being scammed and it could have therefore provided her with a meaningful warning that would have most likely resonated with her.

I'm aware that Ms L moved funds from another account, held with L, into her Revolut account to fund the scam. But I've seen nothing to suggest that L intervened in this payment in any way – and Ms L had been making regular payments from L to Revolut for several years by the time of the scam payment, so it would not have appeared as particularly unusual or out of character to L. So, by the time I think Revolut should have intervened, Ms L doesn't appear to have seen (or ignored) any detailed warnings regarding what she was doing. With this in mind, I think it's fair to say that, had Revolut intervened appropriately, then it is likely that the spell of the scam would have been broken and that Ms L wouldn't have proceeded with the payment. So, I think Revolut could have prevented Ms L's loss.

Is it fair and reasonable for Revolut to be held responsible for Ms L's loss?

In reaching my decision about what is fair and reasonable, I have taken into account that Ms L made a payment into her Revolut account from her account with L, before moving those funds on to the scammer.

But as I've set out above, I think that Revolut still should have recognised that Ms L might have been at risk of financial harm from fraud when she made the payment, and in those circumstances Revolut should have made further enquiries about the payment before processing it. If it had done that, I am satisfied it would have prevented the losses Ms L suffered. The fact that the money used to fund the scam came from elsewhere does not alter

that fact and I think Revolut can fairly be held responsible for Ms L'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 Ms L 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 Ms L could instead, or in addition, have sought to complain against those firms. But Ms L 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 Ms L'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.

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 Ms L's loss from this payment.

Should Ms L bear any responsibility for her losses?

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.

While I acknowledge that there is limited evidence of exactly what Ms L saw and was told at the time – given the time that has passed since this scam took place – I am satisfied that Ms L sincerely believed she was speaking with the police. I acknowledge that the actions Ms L was then asked to take were unusual, but she was in a highly pressured situation taking steps that she believed would be the only way to protect herself from potential prosecution and deportation. I don't think she therefore acted unreasonably in the circumstances by acting on what she believed to be the legitimate instructions of the police.

With all this in mind, I don't currently intend to find that it is fair or reasonable for Ms L to bear any responsibility for her loss. I am currently intending to find that Ms L's loss should be refunded to her in full by Revolut.

I've also considered what happened when Ms L told Revolut of the scam. I can see that she told Revolut, in the in-app chat, on 2 March 2021 that she believed she had been scammed. Revolut appears to have largely responded with fairly generic messages, it did not ask her for any specific information about the scam or tell her what would be happening next. Revolut said it would investigate and would contact the recipient account. It said it would let Ms L know if it had an update for her, or if she didn't hear back she could chase for an update herself. Ms L then chased Revolut for an update in May 2021, but Revolut simply referred her to an article (it's unclear what article that was) it didn't provide her with any update or chase up her scam claim in any way.

Given that Revolut is the expert here, I think it is reasonable to say that on being told that Ms L believed she had been scammed Revolut should have done more to engage with her claim and to find out what had happened. If it had done so then it's likely it would have been able to get more detailed information at that time given how quickly Ms L had let it know she had

been scammed after the payment was made. I of course cannot say exactly what Revolut would have decided at that time, but Ms L would at least have known where she stood.

And as this scam appears to have involved Ms L losing all of her savings, I think that avoidable delay in looking into Ms L's claim will have had a significant impact on her. I therefore think it is reasonable for Revolut to pay Ms L some compensation to recognise that impact."

As Ms L has accepted my provisional decision, and Revolut has not made any further comments, I see no reason to depart from the findings set out above.

Putting things right

To resolve this complaint Revolut Ltd should:

- Refund Ms L's loss of £9,740.82;
- pay 8% simple interest on this refund from the date of the payment to the date of settlement; and
- pay Ms L £150 to recognise the impact of its failure to properly engage with her scam claim in 2021.

My final decision

I uphold this complaint, Revolut Ltd should now put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 21 April 2025.

Sophie Mitchell
Ombudsman