

The complaint

Mr B complains that Revolut Ltd ('Revolut') won't refund the money he says was lost as the result of a scam.

What happened

In early 2023, Mr B saw a pop-up advertisement for cryptocurrency trading, while on a social media site. Mr B provided his contact information and was contacted by someone who said they worked for a company I'll refer to as S. Mr B was told he would be trained in how to make money through cryptocurrency trading using AI and could expect returns of 50% to 100% per week.

Mr B was helped to open a trading account with S, as well as an account with Revolut. Mr B says he searched online for information about S and saw positive reviews. He says that he was particularly vulnerable at the time, due to Seasonal Affective Disorder and trying to find a way out of his existing job.

Mr B was persuaded to invest £15,000. When his balance with S reached approximately £100,000, he tried to make a withdrawal, but was told he needed to make a payment of £19,000 to release the funds. After making the payment, Mr B was told the payment hadn't been received and convinced to send it again, on the promise that he would get his profits from his trading account and a return of the £19,000.

These are the payments Mr B made from his Revolut account. Mr B funded his Revolut account from an account he held with another bank – I'll refer to that bank as Bank H.

Date	Pmt no	Details of transaction	Amount
1.2.2023		Account opened	
		<i>Credit to account from Bank H</i>	<i>£9,940</i>
2.2.2023		Card payment to M (a cryptocurrency exchange) - declined	
3.2.2023	1	Card payment to B (a cryptocurrency exchange) - includes a fee of £17.41	£4,499.91
4.2.2023	2	Card payment to B (a cryptocurrency exchange)	£5,000.00
4.2.2023	3	Card payment to B (a cryptocurrency exchange)	£500.00
7.2.2023	4	Card payment to C (a cryptocurrency exchange) – includes a fee of £24.50	£4924.54
		Payments made to release Mr B's investment profits	
3.4.2023	5	Card payment to B (a cryptocurrency exchange)	£4,800
4.4.2023	6	Card payment to B (a cryptocurrency exchange)	£5,000
4.4.2023	7	Card payment to B (a cryptocurrency exchange)	£5,000
4.4.2023	8	Card payment to B (a cryptocurrency exchange)	£5,000
4.4.2023	9	Card payment to B (a cryptocurrency exchange)	£4,500
6.4.2023	10	Card payment to B (a cryptocurrency exchange)	£5,000
7.4.2023	11	Card payment to B (a cryptocurrency exchange)	£5,000

6.4.2023	12	Card payment to B (a cryptocurrency exchange)	£5,000
6.4.2023	13	Card payment to B (a cryptocurrency exchange)	£4,500

When Mr B made a payment of £9,940 from his account with Bank H, they intervened and called Mr B to discuss the payment. Bank H didn't intervene on any of the further payments Mr B made to his Revolut account.

When Mr B was unable to withdraw his funds from S, he realised it was a scam. Through a professional representative, Mr B raised a fraud claim with Revolut. Revolut raised a chargeback for Mr B but declined to refund him. Later, Revolut let Mr B know that his chargeback wasn't successful as he didn't have chargeback rights on the payments.

Mr B wasn't happy with Revolut's response, so he brought a complaint to our service.

An investigator looked into Mr B's complaint but didn't uphold it. The investigator felt Revolut should've intervened when Mr B made payment one and provided a tailored written warning. However, the investigator wasn't satisfied that intervention by Revolut would've uncovered the scam and prevented Mr B's loss, based on the call he had with Bank H. The investigator felt that as Mr B wasn't honest with Bank H, it was unlikely that he would've been with Revolut.

Mr B disagreed with the investigator's opinion and raised the following points:

- Revolut's interventions were ineffective.
- Revolut should've asked open ended questions.
- Even if he hadn't given honest payment reasons or answers to questions, Revolut knew he was making payments related to cryptocurrency and probing into his answers would've uncovered the scam.

As the case couldn't be resolved informally, it was passed to me to review.

Having reviewed the case, I reached a different answer than the investigator. So, I wanted to give both parties a chance to provide any additional evidence they wanted to be considered before a final decision was issued.

My provisional decision

In my provisional decision I said:

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 Mr B 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*” (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.

Looking at what is fair and reasonable on the basis set out at DISP 3.6.4R, I consider that Revolut should in February 2023 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.

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 fraud;¹

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/

- 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.

For example, it is my understanding that in February 2023, 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).

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)².
- 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 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

² 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.

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

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 (see above).

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 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.

Whilst I am required to take into account the matters set out at DISP 3.6.4R when deciding what is fair and reasonable, I am satisfied that to comply with the regulatory requirements that were in place in February 2023, Revolut should in any event have taken these steps.

Should Revolut have recognised that Mr B was at risk of financial harm from fraud?

When deciding whether Revolut should've identified a risk of financial harm, I have taken into account that this was a new account with no previous account activity. Also, that many cryptocurrency payments similar to this may be legitimate and not related to a scam.

But, when Mr B made the first payment, I'm satisfied that Revolut should've identified that he was potentially at risk of financial harm. The payment was for nearly £4,500 and was identifiably related to cryptocurrency. Also, Mr B had attempted to make payments to another cryptocurrency provider the prior day which were declined by Revolut.

I'm also satisfied that Revolut should've identified a further risk of financial harm when Mr B made payment nine. I say this as it was fourth payment he had made in quick succession, took the total he'd transferred that day to nearly £20,000 and was identifiably related to cryptocurrency. I appreciate that it was going to a payee Mr B had used before, but this was a dramatic increase in the value and number payments he'd made in quick succession and looked out of character to his prior account activity.

What did Revolut do to warn Mr B?

Revolut say they didn't provide any warnings to Mr B when he made his payments as part of the scam.

What kind of warning should Revolut have provided?

When Mr B made his first payment, I think an appropriate response would've been for Revolut to provide Mr B with an onscreen warning, tailored to cryptocurrency investment scams. I say this as investment scams were the most common scam type related to cryptocurrency in February 2023, when Mr B made this payment. This warning should've covered off the key features of such a scam, such as being offered returns that were too good to be true, returns being guaranteed (as forex trading involves risk so a genuine firm wouldn't guarantee a return), being asked to increase investment over a short period of time and being unable to withdraw funds.

However, when Mr B made payment nine, I think Revolut should've gone a step further and referred Mr B to one of their fraud specialists through their in-app chat and asked Mr B questions about the payments he was making.

If Revolut had provided a warning of the type described, would that have prevented the losses Mr B suffered?

I'm not satisfied that providing an onscreen tailored warning about cryptocurrency investment scams would've prevented Mr B's loss from payment one.

I say this as while Mr B was promised a return that was too good to be true, as it was his first payment he hadn't seen what returns his funds could make and I'm not persuaded that the warning would've resonated with him. Bank H called Mr B prior to him making payment one from his Revolut account, and while that conversation didn't go so far as to provide a warning, they did ask Mr B if he was encouraged to open his Revolut account or told to lie to the bank about why he was making the payment. I think Mr B should've been concerned about why Bank H was asking this, but he told Bank H that no one had encouraged him to open the account and he'd made the decision himself – which wasn't true. So I'm not convinced that an onscreen warning would've broken the spell if a conversation with Bank H didn't cause him some concern.

But, if Revolut had referred Mr B to talk to one of their fraud specialists in-app when he made payment nine, I'm persuaded it's more likely than not that the scam would've been uncovered.

Bank H only asked Mr B the two questions that I've included above, they didn't ask him about the investment, how he found it or provide any context as to why it was important that no one had encouraged him to open the account or lie to the bank. I would've expected Revolut staff to ask open questions about how Mr B had found the investment, what returns he had been promised and whether he'd been able to withdraw funds from his investment. I also would've expected them to have explained the common features of investment scams and how his circumstances were consistent with other scam victims.

I think this human intervention, even if it was in-app and not in phone call, would've uncovered the scam and prevented Mr B from making any further payments. Especially as, by the time Mr B made payment nine, he was paying fees to try and release his investment funds – which is typical in these types of scams. So, I think a discussion about why he was making the payment, and that he shouldn't need to pay money to release genuine investment funds, would've prevented any further losses.

On that basis, I think it's reasonable for Revolut to refund Mr B from payment nine onwards.

Is it fair and reasonable for Revolut to be held responsible for Mr B's loss?

In reaching my decision about what is fair and reasonable, I have taken into account that Revolut was the intermediary, with the funds originating from Bank H and being transferred from Revolut to a cryptocurrency wallet in Mr B's name – before being sent onto a wallet or account controlled by the scammer.

But as I've set out in some detail above, I think that Revolut still should have recognised that Mr B might have been at risk of financial harm from fraud when he made payment nine, and in those circumstances it should have declined the payment and made further enquiries. If it had taken those steps, I am satisfied it would have prevented the losses Mr B 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 Mr B's own account does not alter that fact and I think Revolut can fairly be held responsible for Mr B'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 Mr B 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 Mr B could instead, or in addition, have sought to complain against those firms. But Mr B has not chosen to do that and ultimately, I cannot compel him to. In those circumstances, I can only make an award against Revolut.

I'm also not persuaded it would be fair to reduce Mr B'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 Mr B's loss from payment nine (subject to a deduction for Mr B's own contribution which I will consider below).

Should Mr B bear any responsibility for his 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. By the time Mr B was making payment nine, I'm satisfied that he should've been concerned with what the scammer was telling him.

In February 2023, Mr B tried to make a withdrawal, and despite the excuses and promises provided by the scammer, he never received the £5,000 he'd tried to withdraw. So, I don't

think it was reasonable for him to then pay £19,000 in fees in April 2023 to try and release his investment after being unable to withdraw the £5,000. I think a reasonable person would've been concerned about the authenticity of the investment when not able to withdraw funds and being asked to pay fees that weren't disclosed up front.

On that basis, I'm satisfied that Mr B should share responsibility for his loss with Revolut from payment nine onwards and so I am reducing the refund by 50%.

As Mr B has been deprived of the use of those funds, Revolut should pay interest on the refund of 8% simple interest calculated from the date of the payments until the date of settlement.

My provisional was that I intended to uphold this complaint and ask Revolut to refund Mr B 50% of payment nine onwards (which equates to £12,000), and pay interest on the refund of 8% simple, calculated from the date of the payments until the date of settlement.

Responses to my provisional decision

Mr B responded to say he accepted my provisional decision.

Revolut didn't respond to my provisional decision.

Under the Dispute Resolution Rules (found in the Financial Conduct Authority's Handbook), DISP 3.5.13, says, if a respondent (in this case Revolut) fails to comply with a time limit, the ombudsman may proceed with the consideration of the complaint.

As the deadline for responses to my provisional decision has expired, I'm going to proceed with issuing my final 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 I haven't been given any new evidence or arguments to consider, I see no reason to reach a different answer than I did in my provisional decision.

In summary

I'm satisfied that Revolut should've been concerned and intervened when Mr B made the first payment taking into account the size of the payment and because it was identifiably related to cryptocurrency. I'm also persuaded that Revolut should intervene again when Mr B made payment nine as it was the fourth payment made in quick succession and meant Mr B had transferred over £20,000 in 24 hours.

When Revolut intervened on the first payment, I would've expected them to provide an onscreen warning tailored to cryptocurrency investment scams. But, when Mr B made payment nine, I would've expected Revolut to have gone one step further and asked Mr B questions about the payment through their in-app chat.

I'm not satisfied that the onscreen warning would've resonated with Mr B or prevented him from continuing with the payment. However, I'm satisfied that its more likely than not referring Mr B to their in-app chat and asking questions about payment nine, would've uncovered the scam and prevented Mr B's loss from that point.

But, I'm satisfied that it's fair for Mr B to share responsibility for his loss with Revolut from payment nine onwards and reduce the refund by 50%. I say this as Mr B had already tried to withdraw funds from his investment which hadn't been successful. I think a reasonable person would've been concerned about having difficulty in making a withdrawal, and then being asked to pay a fee that hadn't been previously disclosed.

So, I'm satisfied it's fair for Revolut to refund 50% from payment nine onwards. And, as Mr B has been deprived of the use of those funds, Revolut should pay simple interest of 8% per year calculated from the date of the payments until the date of settlement.

Putting things right

To put things right I require Revolut Ltd to:

- Refund Mr B 50% of payment nine onwards (which equates to £12,000), and
- Pay interest on the refund of 8% simple, calculated from the date of the payments until the date of settlement*

*If Revolut considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr B how much it's taken off. It should also give Mr B a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

My final decision is that I uphold this complaint and require Revolut Ltd to compensate Mr B as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 25 April 2025.

Lisa Lowe
Ombudsman