

The complaint

Mr B complains about the actions of Revolut Ltd when he lost money to a scam.

Mr B is being represented by a claims management company but for ease of reading I'll only refer to Mr B.

What happened

In early May 2023 Mr B was contacted via a message by a third-party purporting to be from a merchant offering him a role to help improve reviews for a hotel. Mr B initially said he wasn't interested in the role. But after further discussions with the third party he agreed to take up the role to complete tasks in order to earn commission. Mr B then made the following payments to the merchant's platform via three genuine crypto exchanges;

Date	Type of transaction	Amount
07 May 2023	Card payment to crypto exchange	£50
08 May 2023	Card payment to crypto exchange	£50
08 May 2023	Card payment to crypto exchange	£60
08 May 2023	Card payment to crypto exchange	£50
09 May 2023	Card payment to crypto exchange	£70
10 May 2023	Card payment to crypto exchange	£400
10 May 2023	Card payment to crypto exchange	£1,200
10 May 2023	Card payment to crypto exchange	£1,400
10 May 2023	Card payment to crypto exchange	£100
11 May 2023	Card payment to crypto exchange	£4,000
13 May 2023	Card payment to crypto exchange	£2,000
14 May 2023	Card payment to crypto exchange	£3,600
14 May 2023	Card payment to crypto exchange	£3,700
15 May 2023	Card payment to crypto exchange	£5,000
19 May 2023	<i>Refund from crypto exchange</i>	<i>£5,000</i>
19 May 2023	Card payment to crypto exchange	£2,500
19 May 2023	Exchanged to ETH	£10
19 May 2023	<i>Crypto withdrawal ETH</i>	<i>0.00359371</i>
19 May 2023	Exchanged to ETH	£2,500
19 May 2023	<i>Crypto withdrawal</i>	<i>0.83879194</i>
19 May 2023	<i>Crypto withdrawal</i>	<i>0.41785405</i>
19 May 2023	<i>Crypto withdrawal</i>	<i>0.10372014</i>
20 May 2023	Card payment to crypto exchange	£500
22 May 2023	Card payment to crypto exchange	£2,500
22 May 2023	Card payment to crypto exchange	£2,500
30 May 2023	Card payment to crypto exchange	£1,500
30 May 2023	Card payment to crypto exchange	£1,800
30 May 2023	Card payment to crypto exchange	£1,525
31 May 2025	Card payment to crypto exchange	£2,000

	Total GBP loss	£31,505
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After having issues withdrawing his money from the merchant's platform Mr B realised he had been scammed and made a claim to Revolut to have his money returned. Revolut reviewed the complaint but said it wasn't going to provide Mr B with a refund so he brought his complaint to this service.

Our investigator felt the complaint should be upheld in part. He said that Revolut should've provided a human intervention and asked more questions of Mr B when he sent the £3,700 on 14 May 2023 but any warnings Revolut would've provided wouldn't have uncovered the scam. But Revolut should've also stopped a £5,000 payment on 15 May 2023 and invited Mr B to discuss why he was making it in the in-app chat which would've likely uncovered the scam. He added that Revolut could reasonably make a 50% reduction to any refund due to Mr B contributing to his losses. He added that Revolut should add 8% simple interest per year to the total award from the date of the payments to the date of settlement.

Mr B agreed with the investigator's opinion. But Revolut didn't 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.

Having done so, I've reached the same conclusion as our investigator that this complaint should be upheld in part. But for different reasons.

I've read and considered the whole file. But I'll concentrate my comments on what I think is relevant. If I don't mention any specific point, it's not because I've failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome.

Where the evidence is incomplete, inconclusive, or contradictory (as it is here), I have to make my decision on the balance of probabilities – that is, what I consider is more likely than not to have happened in the light of the available evidence and the wider surrounding circumstances.

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 19).

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 May 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
- 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;

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/

- 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 May 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 crypto 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 crypto wallet held in the consumer’s own

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”

name. And, increasingly, we have seen the use of an EMI (like Revolut) as an intermediate step between a high street bank account and crypto 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 May 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 crypto 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 May 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?

It isn't in dispute that Mr B has fallen victim to a cruel scam here, nor that he authorised the payments he made by card to his crypto wallet (from where that crypto was subsequently transferred to the scammer).

By May 2023, when these transactions took place, firms like Revolut had been aware of the risk of multi-stage scams involving crypto for some time. Scams involving crypto have increased over time. The FCA and Action Fraud published warnings about crypto scams in mid-2018 and figures published by the latter show that losses suffered to crypto scams have continued to increase since. They reached record levels in 2022. During that time, crypto was typically allowed to be purchased through many high street banks with few restrictions.

By the end of 2022, however, many of the high street banks had taken steps to either limit their customer's ability to purchase crypto using their bank accounts or increase friction in

relation to crypto related payments, owing to the elevated risk associated with such transactions. And by May 2023, when these payments took place, further restrictions were in place. This left a smaller number of payment service providers, including Revolut, that allowed customers to use their accounts to purchase crypto with few restrictions. These restrictions – and the reasons for them – would have been well known across the industry.

I recognise that, as a result of the actions of other payment service providers, many customers who wish to purchase crypto for legitimate purposes will be more likely to use the services of an EMI, such as Revolut. And I'm also mindful that a significant majority of crypto purchases made using a Revolut account will be legitimate and not related to any kind of fraud (as Revolut has told our service). However, our service has also seen numerous examples of consumers being directed by fraudsters to use Revolut accounts in order to facilitate the movement of the victim's money from their high street bank account to a crypto provider, a fact that Revolut is aware of.

So, taking into account all of the above I am satisfied that by the end of 2022, prior to the payments Mr B made in May 2023, Revolut ought fairly and reasonably to have recognised that its customers could be at an increased risk of fraud when using its services to purchase crypto, notwithstanding that the payment would often be made to a crypto wallet in Mr B's own name.

To be clear, I'm not suggesting as Revolut argues that, as a general principle (under the Consumer Duty or otherwise), Revolut should have more concern about payments being made to a customer's own account than those which are being made to third party payees. As I've set out in some detail above, it is the specific risk associated with crypto in May 2023 that, in some circumstances, should have caused Revolut to consider transactions to crypto providers as carrying an increased risk of fraud and the associated harm.

In those circumstances, as a matter of what I consider to have been fair and reasonable, good practice and to comply with regulatory requirements, Revolut should have had appropriate systems for making checks and delivering warnings before it processed such payments. And as I have explained Revolut was also required by the terms of its contract to refuse or delay payments where regulatory requirements meant it needed to carry out further checks. Taking all of the above into account, and in light of the increase in multi-stage fraud, particularly involving crypto, I don't think that the fact most of the payments in this case were going to an account held in Mr B's own name should have led Revolut to believe there wasn't a risk of fraud.

So I've gone on to consider, taking into account what Revolut knew about the payments, at what point, if any, it ought to have identified that Mr B might be at a heightened risk of fraud that merited its intervention.

What kind of warning should Revolut have provided?

I've thought carefully about what a proportionate warning in light of the risk presented would be in these circumstances. In doing so, I've taken into account that many payments that look very similar to this one will be entirely genuine. I've given due consideration to Revolut's duty to make payments promptly, as well as what I consider to have been good industry practice at the time this payment was made.

Here, Revolut didn't intervene in any of the payments Mr B made and ask any further questions. Mr B has argued that if Revolut had done more this would've stopped this job scam.

By the time Mr B sent £3,700 on 14 May 2023 I think there was enough happening here that Revolut should've been suspicious. By that point the frequency and size of the payments were increasing and Mr B had sent around £16,680 to two different crypto exchanges. Given what Revolut knew about the destination of the payment and the high value, I think that the circumstances should have led Revolut to consider that Mr B was at heightened risk of financial harm from fraud. In line with good industry practice and regulatory requirements, I am satisfied that it is fair and reasonable to conclude that Revolut should have warned its customer before this payment went ahead.

And having considered everything that was happening, I'm satisfied that a proportionate warning for Revolut to have provided was a tailored crypto investment scam warning. So, I need to consider whether that would've made a difference here and stopped the scam.

I've seen copies of the chats that Mr B was having with the scammers. I can see that Mr B repeatedly mentioned that he thought he was being scammed and was very stressed at the thought of losing his money here. I note that the chats repeatedly say he was told by one of the genuine crypto exchanges that they thought he had fallen victim to a scam and that his money was then returned to him by the crypto exchange. Mr B challenged the scammers on this but still continued to send money in the hope that he would start to get his money back. Mr B has told this service there was no intervention by the crypto exchange and he only mentioned this to try and get the scammer to release the funds. He said he continued to make payments towards the scam because one of the groups he could see on a messaging app were saying they had issues but were able to make withdrawals, so he thought it was fine to continue making payments.

On balance I don't think it's likely that Mr B was lying at the time in the chat about the crypto intervention. There was a delay in him getting his money back from the crypto exchange at the time and he also mentioned that £5,000 he had sent was reverted to his account. I accept that Mr B now says he made this up to try and get his money back. But, I still don't think in the circumstances he would've heeded a crypto investment scam warning because it wasn't the nature of the scam he fell victim to due to him not making an investment. So, if such a warning had been provided by Revolut, I'm satisfied – on balance – this wouldn't have resonated with Mr B at the time and the scam wouldn't have been uncovered then.

However, I believe Revolut should've stopped the £5,000 payment on 15 May 2023. By that point the value of the payments were again starting to increase. For me, the account usage was now unusual and suspicious enough for Revolut to reasonably believe that Mr B's account was at risk. At this point I'm satisfied an appropriate intervention should've been for Revolut to stop the payment in question and invite Mr B to discuss the payment in Revolut's in-app chat and ask him why he was making them. If Revolut had asked some probing questions of Mr B such as who had contacted him and why he was making the payments to a crypto exchange he would've more likely than not said the reason why he was making the payment. At this point the scam would've become apparent to Revolut fraud handlers here as a common job scam.

I've considered whether Revolut providing a clear warning here about job scams and their prevalence would've resonated with Mr B. At this point I'm satisfied Mr B would've more than likely listened to Revolut here. It's clear from the chat transcripts that Mr B was uneasy about this job opportunity and every time his account went into a negative balance he displayed a lot of negative emotion about losing his money – which I believe is understandable in the circumstances. He had questioned whether he was being scammed previously so I'm satisfied if Revolut had proportionately stepped in and made him aware what had happened to him was a common type of scam he wouldn't have agreed to send any more money.

I've considered that a few days after the £5,000 payment the chat transcripts show that Mr B told the scammers that the crypto exchange had told him he was likely being scammed. Mr

B has denied that this was actually the case to this service, instead saying that he made this up to try and get the scammers to return his money. I think it more plausible after reading the transcripts and from the various messages Mr B sent to the scammers that there was an issue with the crypto platform (with his money then being returned) and he was more likely than not told this *could* (my indentation) be a scam.

I haven't seen any other evidence of Mr B's discussions directly with the crypto exchange because he has said he doesn't have any. But I wouldn't expect the crypto exchange to provide as detailed a warning as Revolut about job scams in this instance. And I'd expect a detailed warning and sharing of experiences of other common job scams from Revolut to have made a difference to Mr B here because after asking questions about how the scam unfolded Revolut would've been in a better position to explain this to Mr B in line with the relevant regulatory rules, guidance and good practice guides.

So, I'm satisfied – on balance – that a human intervention and a detailed warning about job scams would've stopped the scam when Mr B made the £5,000 on 15 May 2023.

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 Mr B paid money from his Revolut account before forwarding it to an account in his own name at the crypto exchange, rather than directly to the fraudster, so he remained in control of his money after he made the payments, and there were further steps before the money was lost to the scammer.

However, for the reasons I have set out above, I am satisfied that it would be fair to hold Revolut partly responsible for Mr B's losses from the £5,000 payment on 15 May, subject to a deduction for Mr B's own contribution towards his loss. As I have explained, the potential for multi-stage scams, particularly those involving crypto, 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.

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 they made the £5,000 15 May payment, 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/or wasn't lost at the point it was transferred to his own account does not alter that fact and I think Revolut can fairly be held responsible for his 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 he hasn't chosen to do that and ultimately, I cannot compel them 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: he 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 any loss Mr B incurred after the £5,000 Payment (subject to a deduction for Mr B's own contribution which I will consider below).

I must point out that the £5,000 payment was then reverted to Mr B's account by the crypto exchange. So, Mr B didn't lose that £5,000. However, I still think that should've been the point where Revolut stepped in and spoke to Mr B about his payments and the scam would most likely have been uncovered.

Did Mr B contribute to his losses here

It's clear from the chat transcripts and Mr B's testimony to this service that he had his doubts about this 'job' opportunity. He expressed these doubts at various points in the chat with the scammers. And even after he mentioned the interventions from the crypto exchange – whether true or not – he still continued to make payments towards the scam. As a result, I'm satisfied he fairly contributed to his own losses here. So, both he and Revolut should share the blame for the losses here. I'm satisfied that a 50% reduction in any refund awarded would be reasonable in the circumstances.

Recovery

I've considered whether Revolut acted reasonably when it was made aware of the scam. As I don't consider the crypto withdrawals to be a regulated activity, I can't make a finding on whether Revolut did enough to recover Mr B's money in relation to those. And I'm satisfied that because Mr B made card payments to genuine crypto exchanges before exchanging his money to crypto and sending it to the scammers that he got the service he paid for via his card. As a result, Revolut didn't treat him unfairly by not pursuing a chargeback claim here.

Putting things right

I'm satisfied that Revolut should refund Mr B 50% of the payments he made from £2,500 he made on 19 May 2023 which is £14,825, minus 50%). It should also add 8% simple interest per year to this amount from the date of payments to the date of settlement.

I've issued a jurisdiction decision to explain why the crypto withdrawals aren't themselves regulated but because they are part of the same scam and resulted from other regulated activities (deposit of fiat currency and subsequent exchange into crypto) Revolut can be reasonably asked to refund these payments.

And because I've decided that Revolut should've reasonably intervened earlier these subsequent exchanges and crypto withdrawals wouldn't have occurred. So, Revolut should also do the following;

- Refund 50% of the crypto withdrawals in their equivalent GBP values on the day they were sent.
- Refund 50% of the fees incurred in the exchanges
- Pay 8% simple interest per year on the above from the date of the withdrawal to the date of settlement.

My final decision

For the reasons given above, I uphold this complaint in part. Revolut Ltd should do the following;

- Refund £14,825 minus 50%
- Add 8% simple interest per year to this amount from the date of payments to the date of settlement.
- Refund 50% of the crypto withdrawals in their equivalent GBP values on the day they were sent.
- Refund 50% of the fees incurred in the exchanges
- Pay 8% simple interest per year on the above from the date of the withdrawals to the date of settlement.

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.

Mark Dobson
Ombudsman