

The complaint

Mr S is unhappy that Revolut Ltd won't refund payments he made as part of a scam.

What happened

Mr S was a victim of a romance-led investment scam, involving the following transactions to and from his Revolut account, which he opened in 2021:

Payment number	Date	Description	Amount
1	10 May 2023	Card Payment to Coinbase.com	-£50.00
-	14 May 2023	Payment received from Mr S's Barclays' account	+£5,000.00
2	14 May 2023	Payment to Coinbase.com	-£5,000.00
-	15 May 2023	Payment received from Coinbase	£62.92
-	17 May 2023	Payment received from Mr S's Barclays' account	+£2,400.00
3	17 May 2023	Payment to Coinbase.com	-£2,400.00
-	20 May 2023	Payment received from Mr S's Barclays' account	+£8,000.00
4	20 May 2023	Payment to Coinbase.com	-£8,000.00
-	23 May 2023	Payment received from Mr S's Barclays' account	+£4,000.00
5	23 May 2023	Payment to Coinbase.com	-£4,000.00
-	26 May 2023	Refund from Revolut for Coinbase.com claim	+50.00
-	26 May 2023	Payment received from Coinbase	+£143.25

In summary, Mr S met someone on Tinder, who I'll call E, and in April 2023, they started to speak over WhatsApp. E said she was an investor and offered to help him make some money with cryptocurrency.

On 10 May 2023, she took him through the steps to invest a relatively small amount using a platform I'll refer to as G. As part of this, Mr S was instructed to send money to Coinbase, where it was exchanged to USDT and sent to G's wallet. Mr S was led to believe this deposited the funds on G's platform to invest. In fact, the funds were deposited in a fraudster's wallet and G's platform and the investment was fake.

E continued to encourage Mr S to invest further sums, so he'd achieve higher profits. Mr S agreed to this, in largely the same manner as before, making several further payments until the end of May 2023.

Barclays has told us that it didn't question any of the payments Mr S made from his Barclays' account to Revolut.

Revolut noted that for Payment 2, it was a new beneficiary – so it displayed the message 'Do

you know and trust this payee? If you're unsure, don't pay them, as we may not be able to help you get the money back.' And when he went to make £5,000.00 payment, it asked him about the purpose from a list of options. Revolut told us he selected '*Crypto Currency*' – so he would've seen educational screens with the following messages:

- 'Moving funds to your own account? Please ensure no one besides you has access to that account'
- 'Asked to download software? If someone has asked you to download any software (like Any Desk), this could be a scam!'
- 'Are you making a new investment? Research if what you're investing in is a legit company or cryptocurrency.'

When Mr S later tried to withdraw funds from G, he was told it would take some time to process. Around this time, he spotted a discrepancy in the amounts G gave him and became suspicious – questioning E about its legitimacy. When he subsequently requested further withdrawals, these weren't successful – with G telling him he'd need to pay tax first.

On 26 May 2023, Mr S reported this as a scam to Revolut, and asked for its help getting the money back. It declined to refund the payments and the subsequent complaint. In summary, it said it wasn't liable for payments he authorised, that it warned him appropriately, and it did what it could to get the money back. Unhappy with the response, Mr S brought his complaint to us to investigate via his professional representatives.

I issued my provisional findings upholding the complaint in part. Mr S accepted what I said and I didn't receive a response from Revolut by the deadline given.

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.

Given that neither side has added any further arguments or evidence in response to my provisional findings, I see no reason to depart from what I said before. For completeness, I've included my provisional findings below.

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 Mr S 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 Mr S 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 May 2023 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.

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/

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 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 May 2023 that Revolut should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;

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

- 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 Mr S was at risk of financial harm from fraud? What did Revolut do to warn Mr S and what should it have done?

Revolut's records suggest it detected that the second payment Mr S attempted was suspicious. Looking at how he used the account, that's in line with what I'd fairly expect. After all, it generally held a modest balance and was seemingly used for day-to-day spending, at home and abroad. Indeed, it appears that the highest single payment was for around £500.00 back in 2021. So I think a payment that represented around ten times what Mr S had spent before was a significant departure from how the account was usually run.

I've gone on to consider how Revolut responded to the risk it identified, and whether that was proportionate. I've noted Mr S would've been shown a written warning when he set up the new payee about whether he trusted them. While I don't discount this, I'm mindful that it was very general in its nature, so I don't think it would've effectively alerted him to the risk of financial harm that was presented here.

Given its suspicions, Revolut went on to show Mr S a message telling him that the transfer was riskier than most – and it asked for its purpose. When he answered 'crypto currency', it provided a series of warnings before asking him whether he wanted to proceed.

I don't find these warnings particularly effective. I appreciate they can't reasonably cover everything, but I don't think they included the key hallmarks of common cryptocurrency scams – and what it does say, wasn't very helpful. For example, there's no information on what a 'legit' company or cryptocurrency looks like.

In any event, given the significant departure from how the account was usually run, I'd reasonably expect Revolut to have gone further than its tailored written warnings for payment 2. Instead, I think a proportionate response to this risk would be for Revolut to have attempted to establish the circumstances surrounding the payment before allowing it to debit Mr S's account. I think it should have done this by, for example, directing Mr S to its 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 S suffered from the second payment?

Romance-led investment scams are reasonably common – and the scam Mr S fell victim to had many of the typical hallmarks. For example, he met someone out of the blue, who introduced him to trading. They suggested he'd make significant profits with no risks, and he

was guided on what 'trades' to make. It also involved a fake investment platform, which seemingly traded in cryptocurrency derivatives without the Financial Conduct Authority's oversight.

Providing Mr S was forthcoming, I'd have reasonably expected Revolut's open and probing questions to have revealed these circumstances. It could have then warned him, in clear and understandable terms, that it sounded like a scam.

With this in mind, I've considered whether Mr S would've answered Revolut's questions openly. I've not seen from his messages with E that he was coached on what to say should a payment be held up for any reason – and I've noted that he did give an appropriate payment purpose when Revolut asked. I'm further mindful that Barclays didn't step in with these payments – so there's no evidence he misled any other firm during the process. Taking this all into account, I find it most likely that Mr S would've been forthcoming with Revolut, so it could have warned him appropriately.

Accordingly, I've gone on to consider whether Revolut's warning would've changed his mind about going ahead with the payment. I've reflected on how the written warnings didn't make a difference. But as I've explained, I don't find these to have been particularly effective – so I don't think they're enough to say that a more thorough, detailed intervention wouldn't have worked.

I've considered Revolut's point that it was 40 minutes between the start of the second payment and it being completed – so it thinks Mr S must have considered the matter carefully but gone ahead anyway. I can't tell from its app data that he did ponder its warnings for as long as it's suggesting – the records suggest to me that he saw these shortly before the payment completed. But in any event, it seems there was very little about G available online at the time he made the payments – and I'm not persuaded that Mr S, unlike Revolut, would've known what to look out for when it comes to investment scams. It follows that I don't think this time is enough to say he recklessly went ahead, and that a clear warning he was falling victim to a scam wouldn't have worked.

Indeed, I note from the conversation records I've seen between him and E that he seemed cautious about the risks of losing money – and ultimately, he didn't make any further payments after he'd suspicions following the withdrawal attempt. It follows that I think it's likely he'd have been receptive to Revolut's warnings, in the same way he acted on his own doubts.

Taking this all into account, I'm satisfied that, if Revolut had intervened as I'd have reasonably expected, it seems probable that Mr S would have become credulous about the scam in time and not made the payment of £5,000.00 and those that followed.

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

In reaching my decision about what is fair and reasonable, I have taken into account that Mr S purchased cryptocurrency which credited an e-wallet held in his own name, rather than making a payment directly to the fraudsters. So, he remained in control of his money after he made the payments from his Revolut account, and it took further steps before the money was lost to the fraudsters.

I have carefully considered Revolut's view that in a multi-stage fraud, a complaint should be properly considered only against either the firm that is a) the 'point of loss' – the last point at which the money (or cryptocurrency) remains under the victim's control; or b) the origin of the funds – that is the account in which the funds were prior to the scam commencing. It

says it is (in this case and others) merely an intermediate link – being neither the origin of the funds nor the point of loss and it is therefore irrational to hold it responsible for any loss.

In reaching my decision, I have considered that the payments were made to another financial business (a cryptocurrency exchange) and that the payments that funded the scam were made from another account at a regulated financial business.

But as I've set out above, I think that Revolut still should have recognised that Mr S might have been at risk of financial harm from fraud when they made the second 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 Mr S 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 S's own account does not alter that fact and I think Revolut can fairly be held responsible for Mr S'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 S 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 he could instead, or in addition, have sought to complain against those firms. But Mr S 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 S'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 S's loss from the second payment.

Should Mr S 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.

I imagine lots of people who hear of Mr S's circumstances think it wouldn't happen to them. But these sorts of scams are unfortunately common, with victims being from all walks of life.

That's owing to the incredibly sophisticated set-up of these scams. It's very unlikely E was a chancer, or a lone actor. But instead, she was likely a cog in one of the large criminal enterprises that run these scams, who know from vast amounts of experience who to target and how to manipulate their victims. Indeed, they are designed and honed to make usually rational people act irrationally.

I've kept this in mind when thinking about Mr S's actions. And I've noted what likely made the scam convincing to him. Looking at the conversations he had with E, it seems he was gently introduced to the idea of trading, and he wasn't explicitly pressured. Instead, it almost appeared that E was generously helping him and he ought not to let the opportunity go to waste.

I've also noted Mr S invested a modest amount initially, and he could see his profits

supposedly increase on the G's fake platform. So I can see how he was reassured to invest further amounts.

I've also thought about whether it seemed too good to be true. But I'm mindful that lots of people believe in the lucrative profits to be made from cryptocurrency-related activities. And I've seen the lengths E went to appear an expert in such matters – for example, saying trades needed to happen at very specific times for specific durations. So I can understand how Mr S was taken in at the time. Particularly as, like most people, he wasn't an expert in either cryptocurrency or scams involving them.

I've finally noted there was little available online about G at the time that I think ought to have rung alarm bells with Mr S. And when he did become concerned, he stopped further payments. So he didn't recklessly proceed on the chance he'd make money.

Taking into account the scam's sophistication and how it appeared convincing to Mr S, I don't find that his actions fell below what I'd reasonably expect. So I've not reduced the award for contributory negligence.

My final decision

For the reasons I've explained, I uphold this complaint in part. Revolut Ltd must pay Mr S:

- The total of payments 2 to 5, less any amount recovered or already refunded
- 8% simple interest per year on this amount, from the date of the payments to the date of settlement (less any tax lawfully deductible)

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 28 April 2025.

Emma Szkolar
Ombudsman