

The complaint

Mr J complains that Revolut Ltd ('Revolut') hasn't refunded the money he lost to a cryptocurrency investment scam.

What happened

The circumstances of the complaint are well-known to both parties, so I don't intend to set these out in detail here. However, I will provide a brief summary of what's happened.

In June 2023, Mr J sent £1,000 from his bank account held with another firm to a cryptocurrency exchange platform. He used the funds to purchase cryptocurrency, which he sent to a third party ("the scammer"), on the understanding that he was depositing the cryptocurrency into his trading wallet held with what he believed to be a legitimate cryptocurrency trading platform. Unbeknownst to Mr J at the time, the trading platform was fake and he was falling victim to a scam.

After making some successful trades on the fake trading platform, Mr J sent £20,000 from his Revolut account to an external cryptocurrency exchange platform – which I'll refer to as "C". He converted the funds into cryptocurrency and sent this to the scammer. However, the subsequent trades Mr J thought he was making weren't successful, resulting in him suffering a substantial loss on his investment.

To recover his loss, Mr J was persuaded to deposit a further £16,000 with the fake trading platform. He did this by sending £16,000 to C, converting the funds into cryptocurrency and sending the cryptocurrency to the scammer. Following this deposit, the scammer stopped communicating with Mr J.

Realising he'd fallen victim to a scam, Mr J reported the situation to Revolut in the form of a complaint. Revolut tried, unsuccessfully, to recover Mr J's funds. It also concluded that it wasn't responsible for refunding Mr J's loss.

Revolut said it had provided Mr J with multiple warnings during the payment journey for the £20,000 payment, which were ignored. Revolut also said it had a contractual duty to process properly authorised payments, as was the case here.

Unhappy with Revolut's response, Mr J referred his complaint to this service. In its submissions to this service, Revolut said:

- Mr J had previously sent money to other cryptocurrency exchange platforms and so the payments to C weren't out of character;
- the payments were authorised by Mr J and Revolut was under a duty to process them without undue delay;
- warnings were provided to Mr J, which he ignored;
- Mr J had been grossly negligent;

- the funds had been sent to Mr J's own digital wallet with C and so the payments didn't meet the definition of a scam as the loss didn't occur when the funds left Revolut;
- it had no duty to prevent fraud or scams, referring specifically to a Supreme Court judgement; and
- a reimbursement code some firms had signed up to (although not Revolut) didn't apply in the circumstances.

Our Investigator upheld the complaint in full. They felt that the £20,000 payment to C demonstrated a fraud risk and Revolut should've satisfied itself the payment was being made for a genuine purpose – through human intervention – *before* processing it. If Mr J had been asked to explain why he was making the payment, our Investigator thought the scam would've been identified and a tailored warning about cryptocurrency investment scams would've resulted in Mr J not going ahead with the scam payments and the loss would've been prevented.

Our Investigator thought Mr J had acted reasonably when sending money to the scammer. So, to put things right, they recommended Revolut refund Mr J's loss in full, plus interest.

Mr J accepted our Investigator's view, but Revolut didn't agree, specifically referencing that the scam payments had been made to Mr J's own digital wallet with C, meaning Revolut couldn't fairly be held responsible for refunding the loss.

As an agreement couldn't be reached, the complaint was passed to me to decide. I didn't agree with the outcome our Investigator had reached, so I issued a provisional decision.

Whilst I agreed that Revolut could've done more to protect Mr J from the scam, I also considered that Mr J needed to take equal responsibility for the loss he suffered. As a result, in my provisional decision, I said Revolut should refund 50% of Mr J's payments to C, to the value of £18,000. I also said Revolut should pay 8% simple interest per annum on the refund, from the date of each partially refundable payment until the date of settlement.

Mr J responded to say that he accepted my provisional decision, but Revolut didn't reply. As a result, I haven't received any additional evidence or comments which I need to consider.

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, and as neither Mr J nor Revolut have provided me with anything further to consider, I see no reason to depart from my provisional findings, which I'll reiterate below.

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint."

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; and*
- 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 J 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 J 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.

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).

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 June 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; and*
- 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:

- EMIs 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)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”;*

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/

³ 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.

- *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 Code⁴, 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); and*
- *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 June 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*

⁴ BSI: PAS 17271: 2017” Protecting customers from financial harm as result of fraud or financial abuse”

- 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 J was at risk of financial harm from fraud when he made the £20,000 payment to C?

When the first payment to C was made, Revolut ought to have known that the destination of the payment was a cryptocurrency exchange platform. Mr J also confirmed that the transaction related to cryptocurrency before the payment was processed.

At the time of payment, firms like Revolut had been aware of the risk of multi-stage scams involving cryptocurrency for some time. Scams involving cryptocurrency had reached record levels in 2022. So, by June 2023 (when Mr J made the £20,000 payment to C), there were some circumstances, when a payment to a cryptocurrency exchange platform should've caused Revolut to consider the payment as carrying an increased risk of fraud, despite the payment going to the customer's own digital wallet.

In such circumstances, I consider that Revolut ought to have had appropriate systems in place for making checks and delivering warnings before processing payments. And, Revolut's contractual terms required it to refuse or delay making a payment where regulatory requirements meant it needed to carry out further checks.

Despite the payment going to a digital wallet in Mr J's own name, I don't think that was sufficient for Revolut to believe there wasn't a risk of fraud here. So, I've thought about whether the payment identified a heightened risk of fraud that merited its intervention.

The payment value, of £20,000, was significantly larger than Mr J's typical transactions. I appreciate that in April 2023, Mr J sent £20,400 to a third party. However, prior to that Mr J hadn't made a transfer to a third party exceeding £5,000, with most external transfers not exceeding £2,000. So, a transfer of £20,000 was unusual for Mr J.

The payment was identifiably going to a cryptocurrency exchange platform. This wasn't the first time Mr J had used Revolut to pay a cryptocurrency exchange platform. However, in almost three years since opening the Revolut account, he'd only made three other payments to a cryptocurrency exchange platform and those payments were significantly smaller in value (ranging from £2 to £800). So, the £20,000 payment represented a significant increase in how much Mr J was sending to a cryptocurrency exchange platform.

Whilst a cryptocurrency purchase wasn't entirely out of character for Mr J, a cryptocurrency transaction for £20,000 was. In those circumstances, I think Revolut should have considered that Mr J was at heightened risk of financial harm from fraud. In line with good industry practice and regulatory requirements, I'm satisfied that Revolut should've warned Mr J before this payment went ahead.

What did Revolut do to warn Mr J about the £20,000 payment to C?

When Mr J made the payment to C, Revolut initially provided him with a warning, which said:

“Review transfer

Do you know and trust the payee?

If you’re unsure, don’t pay them, as we may not be able to help you get your money back. Remember, fraudsters can impersonate others, and we will never ask you to make a payment.”

After Mr J confirmed he wanted to make the payment, Revolut showed him another warning, which said:

“This transfer may be a scam

Our systems identified this transfer highly unusual, and put it on hold.

Your transfer is more unusual than

99.2%

of all Revolut transfers”

Revolut then provided some educational warnings about scams in general and specifically about impersonation scams.

Next, Revolut asked Mr J to confirm the purpose of the payment, to which he responded “Crypto Currency”

Mr J was then provided with some information about how to check he wasn’t being scammed, such as checking only he had access to his digital wallet, he hadn’t been asked to download any remote access software and had checked the company he was investing in was legitimate.

Finally, Mr J was shown a warning that said:

“You’re at risk of losing money

This payment is suspicious, only proceed if you’re sure it isn’t a scam

If you pay, we won’t be able to cover you against fraud.”

In the circumstances, I don’t think the warnings were proportionate to the risk demonstrated to Revolut by Mr J’s payment. The information contained in the warnings was general and wouldn’t have resonated with Mr J at the time the payment was made. The warnings failed to bring to life what a cryptocurrency scam might look like and so I don’t think Mr J would’ve reasonably understood (from the warnings) that he was falling victim to a scam at the time the payment was made. In the circumstances, I think Revolut should’ve done more to satisfy itself that Mr J wasn’t at risk of financial harm from fraud.

What kind of warning should Revolut have provided for the £20,000 payment to C?

I think Revolut ought to have attempted to establish why Mr J was making a larger than usual payment to a cryptocurrency exchange platform, before processing the payment. In the circumstances, I think a proportionate way to do this would've been through human intervention via Revolut's in-app chat function, where open and probing questions could've been asked to allow Revolut to understand why the payment was being made.

If Revolut had provided a warning of the type described, would that have prevented the losses Mr J suffered from the payments he made to C?

I'm satisfied that if Mr J had been questioned by Revolut about the £20,000 payment, he would more likely than not have been honest with his answers. He didn't lie to Revolut when asked about the purpose of the payment and I haven't seen anything else in the information provided that suggests Mr J wouldn't have been truthful in his responses.

Had proportionate questions been asked, I think it would've come to light that:

- *Mr J was sending the funds as part of a cryptocurrency trading investment;*
- *he'd been added, at random, to a WhatsApp group regarding cryptocurrency trading;*
- *he hadn't done any research into the individuals or platform involved;*
- *he had seen other members of the group claiming to have made substantial returns, with no losses being reported in over a month – i.e., a 100% trade success rate;*
- *he was being guided by a third party on what to invest in; and*
- *after making a small investment, he'd been put under pressure to increase his investment capital.*

These are all hallmarks of a cryptocurrency investment scam and with this information, Revolut would've been able to identify that Mr J was falling victim to a scam. Had Revolut provided Mr J with education about the common themes of a cryptocurrency investment scam and pointed out the similarities in what Mr J was doing, I think this would've resonated with Mr J at the time and prevented him from going ahead with the payment.

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

In reaching my decision about what is fair and reasonable, I have taken into account that Mr J sent the funds to his own digital wallet with C and that he remained in control of the funds once they left Revolut. It was only after Mr J converted the funds into cryptocurrency (on C's platform) and sent it to the scammer that his funds were lost.

But as I've set out above, I think that Revolut still should have recognised that Mr J might have been at risk of financial harm from fraud when he made the £20,000 payment to C, and in those circumstances Revolut should have made further enquiries about the payment before processing it. If it had done that, I'm satisfied it would have prevented the losses Mr J suffered. The fact that the money wasn't lost at the point it was transferred to Mr J's own digital wallet with C doesn't alter that fact and I think Revolut can fairly be held responsible for Mr J'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 the firm that is the point of loss.

I've also considered that Mr J 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 J could instead, or in addition, have sought to complain against those firms. But Mr J hasn't chosen to do that and ultimately, I can't 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 J'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 J's loss from the £20,000 payment to C (subject to a deduction for Mr J's own contribution which I will consider below).

Should Mr J 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 appreciate that there were convincing aspects of this scam, such as the scammer appearing very knowledgeable about cryptocurrency trading, Mr J was given access to a trading platform that looked legitimate and the WhatsApp group contained a large number of members who were reporting that they were trading very successfully. I'm also mindful that Mr J took around a month to monitor the WhatsApp group before deciding to invest.

However, based on everything I've seen, I'm not persuaded that Mr J was acting reasonably. So, I think he can fairly be held equally responsible with Revolut for the losses he's suffered.

Mr J was unexpectedly added to a WhatsApp group run by the scammer. There's been no suggestion made that Mr J had been looking for help trading cryptocurrencies or that he had seen an advert for the scammer. So, I think he should've treated unsolicited contact from an unknown third party with suspicion.

I've found no information online regarding the scammer, who was allegedly a very wealthy expert in cryptocurrency trading. Nor have I been able to find any reviews (positive or negative) about the trading platform that was being promoted. To my mind, this demonstrates that Mr J didn't undertake any research to verify who he was supposedly communicating with or what their credentials were. Revolut's warnings during the payment journey did prompt Mr J to do this, but he failed to respond to that warning.

Prior to Mr J making his £20,000 payment, other members of the WhatsApp group were claiming to be making substantial daily and weekly returns on their investments, which were too good to be true and ought to have been treated with scepticism, especially as the advice being given by the scammer appears to have been given for free.

After making the £20,000 investment, the trades Mr J made, on the advice of the scammer, weren't successful, resulting in a significant loss. So, I think he should've been more cautious when he was asked to invest a further £16,000 to be traded on the advice of the same individual whose previous advice hadn't been successful.

Putting things right

To resolve this complaint, Revolut should refund 50% of Mr J's payments to C, to the value of £18,000. Revolut should also pay 8% simple interest per annum on the refund, from the date of each partially refundable payment until the date of settlement."

As I set out in my provisional decision, Revolut reasonably ought to have identified that Mr J was at an increased risk of financial harm from fraud when he made the £20,000 payment to C. The payment was significantly larger than Mr J's typical transactions; the payment was identifiably being made to a cryptocurrency exchange platform; and the payment represented a substantial increase in the amount Mr J was sending to cryptocurrency compared with his previous cryptocurrency purchases.

Revolut did provide Mr J with some warnings when that payment was made, but I don't consider those to have been proportionate to the risk demonstrated to Revolut by Mr J's payment. Instead, I think Revolut should've taken steps to better understand why Mr J was making the payment and this ought to have been done through human intervention.

Had Revolut questioned Mr J about the £20,000 payment, I think he would've more likely than not been honest with his answers and this would've allowed Revolut to identify several hallmarks of a cryptocurrency investment scam. This information would've allowed Revolut to educate Mr J about the common themes of this type of scam and point out the similarities to Mr J's circumstances. I think that information would've resonated with Mr J at the time and prevented him from proceeding with the scam payments and suffering his £36,000 loss.

I don't find that Mr J acted reasonably when he fell victim to this scam. He received unsolicited contact from an unknown third party and I'm not persuaded he carried out any independent research to verify who he was dealing with or what their credentials were. The returns being promised were too good to be true and, when Mr J made the £16,000 scam payment, he thought the previous advice he'd followed had resulted in a loss, so he should've been more cautious when sending further funds.

Overall, I think Revolut failed to act proportionately in response to the risks demonstrated by the scam payments and so it can be held responsible for Mr J's loss. However, I think Mr J's own actions have contributed towards him losing his money and so it's fair that he shares equal responsibility for the loss.

Putting things right

To resolve the complaint, Revolut should refund £18,000 to Mr J (50% of the two scam payments he made from his Revolut account). Revolut should also pay 8% simple interest per annum on the refund, from the date of each partially refundable payment until the date of settlement.

My final decision

For the reasons set out above, and in my provisional decision, I uphold this complaint in part.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 22 May 2025.

Liam Davies
Ombudsman