

Complaint

Mr M is unhappy that Revolut Ltd didn't reimburse him after he reported falling victim to a scam.

Background

Mr M saw an advert on social media promoting an investment opportunity. He remembers it appearing professional and said it featured a well-known and trusted public figure. After clicking on the advert, he visited the associated website, which he also found to be professional. He checked the company name on the Companies House register and saw that a business with a similar name was listed. He tells us that reassured him that he was dealing with a legitimate firm.

He registered his interest and was later contacted by someone claiming to be an investment broker. He was told that the investment company would trade cryptocurrencies on his behalf to generate a return and provide regular updates. Mr M didn't realise it at the time, but he wasn't dealing with a legitimate investment firm, but fraudsters.

At the fraudsters' request, he downloaded remote access software to his device so that he they could talk him through the process. He initially invested £250 from an account he held with a different provider. After seeing apparent profits from this investment, he was encouraged to invest further. The scammer told him that market conditions meant profit was virtually guaranteed, and he gave a technical explanation that Mr M said he couldn't really challenge.

Motivated by the supposed gains and reassured by what he'd been told, Mr M made several further payments from his Revolut account. They are set out in the table below:

1	14/6/2024	Cryptocurrency exchange	£1,000
2	16/6/2024	Mr A	£10,000
3	20/6/2024	Cryptocurrency exchange	£4,999
4	20/6/2024	Cryptocurrency exchange	£5,000

Payments 1, 3 and 4 credited an e-wallet in Mr M's own name with a third-party cryptocurrency exchange. Those funds were then converted to cryptocurrency and transferred into the control of the fraudsters. As I understand it, the first was for further investment because the fraudsters persuaded him that he should capitalise on his gains. Mr M said the remaining payments were required to unlock his funds – with the second payment for “liquidity”, and the third and fourth payments as part of a so-called “shadow transaction”.

Once Mr M realised he'd been scammed, he contacted Revolut. It declined to reimburse him. It said the payments had been authorised and that it had asked him if he trusted the payee. Mr M wasn't happy with this response and so he referred his complaint to this service. It was looked at by one of our Investigators, who upheld the complaint in full. Revolut disagreed with that view, so the complaint was passed to me to consider.

Findings

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

I issued a provisional decision on this complaint on 4 April 2025. I wrote:

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 M 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 M 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 June 2024 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 EMIs like Revolut do in fact seek to take those steps, often by:

- using algorithms to identify transactions presenting an increased risk of fraud;²*
- requiring consumers to provide additional information about the purpose of transactions during the payment authorisation process;*
- using the confirmation of payee system for authorised push payments;*
- providing increasingly tailored and specific automated warnings, or in some circumstances human intervention, when an increased risk of fraud is identified.*

In reaching my conclusions about what Revolut ought fairly and reasonably to have done, I am also mindful that:

- Electronic Money Institutions like Revolut are required to conduct their business with “due skill, care and diligence” (FCA Principle for Businesses 2), “integrity” (FCA Principle for Businesses 1) and a firm “must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems” (FCA Principle for Businesses 3)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 “Financial crime: a guide for firms”.*
- Regulated firms are required to comply with legal and regulatory anti-money*

¹ The Payment Services Regulation 2017 Reg. 86(1) 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/

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).*
- *Since 31 July 2023, under the FCA's Consumer Duty⁵, regulated firms (like Revolut) must act to deliver good outcomes for customers (Principle 12) and must avoid causing foreseeable harm to retail customers (PRIN 2A.2.8R). Avoiding foreseeable harm includes ensuring all aspects of the design, terms, marketing, sale of and support for its products avoid causing foreseeable harm (PRIN 2A.2.10G). One example of foreseeable harm given by the FCA in its final non-handbook guidance on the application of the duty was "consumers becoming victims to scams relating to their financial products for example, due to a firm's inadequate systems to detect/prevent scams or inadequate processes to design, test, tailor and monitor the effectiveness of scam warning messages presented to customers"⁶.*

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 2024 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;*
- *have acted to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring all aspects of its products, including the contractual terms, enabled it to do so;*
- *in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings,*

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

⁵ Prior to the Consumer Duty, FCA regulated firms were required to "pay due regard to the interests of its customers and treat them fairly." (FCA Principle for Businesses 6). As from 31 July 2023 the Consumer Duty applies to all open products and services.

⁶ The Consumer Duty Finalised Guidance FG 22/5 (Paragraph 5.23)

before processing a payment – (as in practice Revolut sometimes does).

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

I recognise that Revolut was in a disadvantageous position in terms of spotting the fraud risk associated with the payments in this case. Mr M's account was new and, as I understand it, had been opened at the recommendation of the fraudster. That meant that Revolut didn't have any historic transaction data to serve as a basis of comparison when deciding whether any individual transaction was unusual or out of character. But even allowing for that, I think it ought to have had some concerns. Payment 2 was large enough that it ought to have warranted some scrutiny on Revolut's part before being processed. Furthermore, it was made shortly after Mr M had made a payment to a third-party cryptocurrency exchange with all of the associated fraud risk.

In these circumstances, I don't think Revolut should have processed payment 2 without taking further steps. I'm not persuaded that the risk was so obvious that it required a human intervention, but in these circumstances, I don't think the payment should've been processed without further steps being taken. I can see that it provided Mr M with a very basic warning asking him whether he trusted the new payee. I don't think that was sufficient in the circumstances.

I would have expected Revolut to gather some information from Mr M as to the purpose of the payment and then provide a warning appropriately tailored based on the information that he'd shared. I haven't seen anything to suggest that he was being coached by the scammers, or that he would have misled Revolut had it asked him about them. If Revolut had taken the time to gather more information, I think it could and should have provided a tailored warning – one that highlighted the key features of investment scams involving cryptocurrency, such as unrealistically generous returns, pressure to pay more funds, being encouraged to download remote access software and the use of apparent endorsements by public figures.

I can't say with certainty what Mr M would have done if Revolut had intervened in this way. However, the circumstances of the scam that had targeted him were closely aligned with the most commonly occurring features of such scams. In light of that, I think it's more likely than not that a tailored warning would have resonated with him and dissuaded him from going ahead with the payments.

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

In reaching my decision about what is fair and reasonable, I have taken into account that, so far as payments 3 and 4 are concerned, Mr M hadn't actually suffered a financial loss at the point his funds left his Revolut account. It required that he take further steps on his account with the cryptocurrency firm. But as I've set out above, I still think that Revolut should have recognised that he might have been at risk of financial harm from fraud when he made payment 2. 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 he suffered. The fact that not all of the money was lost at the point he transferred it 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 M 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 he 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 his 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 M's loss from payment 2 (subject to a deduction for his own contribution which I will consider below).

Should Mr M bear any responsibility for his losses?

I've considered whether it would be fair and reasonable for Mr M to bear some responsibility for his own losses. In doing so, I've taken into account what the law says about contributory negligence while keeping in mind that I must decide this complaint based on what I consider to be fair and reasonable in all the circumstances.

Having done so, I think it would be fair for a deduction to be made. There were several aspects of the scam that ought to have raised red flags for Mr M. I understand that he was initially persuaded to invest because he found the company to come across as professional. However, when he was being pressured into making further payments, the tone of the messages he received from the scammers simply wasn't consistent with that of a professional organisation. Furthermore, the explanations he was given as to why he needed to make further payments – such as the need to undertake a “shadow transaction” – weren't particularly logical and the fraudsters didn't give any coherent explanation to persuade him.

Finally, I think he ought to have been concerned by the extraordinary level of growth his investment appeared to have achieved in such a short period of time. By 14 June 2024, he believed he'd invested £1,250. Six days later he was told the value of his investment was £32,000. I think it should've occurred to him that such returns were so exceptional that there was a strong chance that they were too good to be true. In the light of that, I think he should've proceeded only with great caution. For these reasons, I think it's fair and reasonable for a 50% deduction to be made from the redress that is payable in this case.

Revolut responded to say that it didn't have anything further to add. Mr M's representatives responded on his behalf. They made the following arguments:

1. Revolut should've had systems in place to detect and prevent scams and should've carried out additional checks before processing the payments.
2. The questions Revolut asked and the warnings it gave were inadequate in the circumstances of this case.

3. This was a sophisticated scam in which the fraudsters took multiple steps to convince Mr M of their legitimacy.
4. Mr M was subject to emotional and psychological manipulation that led him to make the payments.

I've carefully considered these submissions, but they don't lead me to change the outcome I set out in my provisional decision. On points 1 and 2, I agree that Revolut didn't do enough to protect Mr M, and I explained my reasons for this in the provisional decision. Revolut should've recognised the risk of financial harm and taken steps to protect him. It didn't do so, and I'm satisfied that this failure led directly to the loss he suffered. The key issue now is whether it's fair and reasonable to apply a deduction to the redress on the basis that Mr M bears some responsibility for what happened. In the provisional decision, I identified three warning signs that ought, in my view, to have prompted Mr M to act with greater caution:

- the exceptionally high returns he believed he had achieved in a very short timeframe;
- the tone and content of the fraudsters' messages, which didn't resemble communication from a professional investment business; and
- the implausibility of the reasons given for further payments.

I've looked at whether there is enough evidence to suggest that contextual factors might have reasonably led Mr M to proceed with the specific payment requests despite those red flags. I acknowledge that I'm reviewing this with the benefit of hindsight. A decision made under pressure can seem more reasonable in the moment than it appears later on. Mr M was told that time was critical, and this likely increased the pressure on him to act without proper reflection.

His representatives say he was manipulated by the fraudsters. I accept that scams often involve psychological tactics designed to override a person's natural caution. However, there's little evidence to show *how* this manipulation took place and so it's difficult to make a finding that Mr M acted reasonably in the light of what the fraudsters said to him.

The information Mr M's representatives have provided includes only a handful of written messages. I accept that many conversations took place by phone and so records don't exist, but I've not been provided with much information about what was said during those calls either. The submission from his representatives on this are unfortunately quite generic. They've said the fraudsters were clever and persuasive – but they haven't explained what was actually said to Mr M to justify the more questionable payment requests, such as the so-called 'shadow transaction' or the 'liquidity' payment. It's not clear what Mr M remembers being told that made those particular requests seem reasonable. Nor is there any detail about whether he queried the requests or how the fraudsters responded if he did. Without that, I'm unable to conclude that it was reasonable for him to have proceeded.

I do understand how distressing this has been for Mr M. He's told us how the scam affected him, and that his money was taken under false pretences. I don't for a moment dispute that he is the victim of a scam. But my role isn't to determine whether he was scammed – that's not in question. My role is to assess the extent to which Revolut can fairly and reasonably be held liable for the loss and, for the reasons I've explained above, I'm satisfied this is a fair way of resolving this complaint.

Final decision

I uphold this complaint in part. If Mr M accepts my final decision, Revolut Ltd needs to:

- Refund 50% of payments 2, 3 and 4 in the table above; and

- Add 8% simple interest per annum to those amounts calculated to run from the date the payments debited his account until the date any settlement is paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 26 May 2025.

James Kimmitt
Ombudsman