

## The complaint

Mrs L complains that Revolut Ltd ('Revolut') won't refund the money she lost after falling victim to a scam.

## What happened

In March 2022, Mrs L was looking for a way to supplement her income and found an investment opportunity advertised on a social media site. I'll refer to the company offering the investment as X.

Mrs L says she reviewed X's website and provided her contact information. She received a call from someone who said they were a broker and explained that the investment involved cryptocurrency trading. Mrs L says X's website was professional, showed live market information and the broker came across as very knowledgeable and professional. As part of the investment, Mrs L had to open an account with X, open an account with a cryptocurrency exchange and download an app (which appeared to be for trading on X).

Mrs L made an initial payment of £250 from an account she held with another bank, who I'll refer to as Bank H. The next day Mrs L made a withdrawal from her investment of £150, which was paid to her account with Bank H.

Mrs L says that the broker called her daily and gave updates on what trades they'd made on her behalf, but they also pressured Mrs L to invest more funds.

Satisfied that the investment was legitimate, Mrs L made the following payments from her Revolut account.

Date	Pmt no	Details of transactions	Amount
25.3.2022	1	Card payment to C – a cryptocurrency exchange	£5,000
28.4.2022	2	Card payment to C – a cryptocurrency exchange	£10,000
3.5.2022	3	Card payment to C – a cryptocurrency exchange	£5,000
17.6.2022	4	Card payment to C – a cryptocurrency exchange	£5,000
23.6.2022	5	Card payment to C – a cryptocurrency exchange	£4,000
29.6.2022	6	Card payment to C – a cryptocurrency exchange	£1,799
29.6.2022	7	Card payment to C – a cryptocurrency exchange	£200
14.7.2022	8	Card payment to C – a cryptocurrency exchange	£5,000
16.7.2022	9	Card payment to C – a cryptocurrency exchange	£500

In July 2022, Mrs L wanted to withdraw her investment balance and was told she had to pay £5,500 in taxes, based on the earnings she made from her trades. After making the last payment in the table above, Mrs L's account with X was frozen and she realised she'd been the victim of a scam.

Mrs L reported the scam to Revolut in August 2023, through a professional representative.

Revolut investigated Mrs L's scam claim but declined to refund her, saying the payments were all authenticated through 3DS, and they aren't liable for Mrs L's loss.

Mrs L wasn't happy with Revolut's response, so she brought a complaint to our service.

An investigator looked into Mrs L's complaint and initially didn't uphold it, as Mrs L hadn't shared any evidence of her communication with the scammer. So, the investigator couldn't say Mrs L was the victim of a scam.

In response, Mrs L shared multiple screenshots between her and the scammer. The investigator reconsidered Mrs L's complaint based on the new information and changed the outcome to an uphold.

The investigator felt Revolut should've been concerned on the first payment Mrs L made and, had they intervened and asked Mrs L questions about the payment, the scam would've been uncovered. The investigator didn't feel there should be a deduction for contributory negligence so recommended that Revolut refund Mrs L in full, less any withdrawals she's received from her investment.

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

- These payments were self-to-self, where Mrs L owned the beneficiary account. So, the loss didn't occur on Revolut's platform.
- EMI accounts are not used in the same way as high street banks and cryptocurrency activity is common.
- It is relevant to consider other bank interventions, as the funds that originated with Revolut came from Mrs L's own external bank accounts.
- We should consider any warnings provided by those other external banks.
- It may be applicable for our service to exercise its power under DISP 3.5.2 to inform Mrs L that it could be appropriate to make a complaint against another respondent if necessary.

The investigator addressed all of the points Revolut raised, however Revolut asked for the case to be passed to an ombudsman for a decision.

Having reviewed the case, I reached the same overall outcome as the investigator, but with a different redress recommendation. So, I issued a provisional decision giving both parties a chance to provide any further evidence they wanted to be considered before I issued a final decision.

### **My provisional decision**

In my provisional decision I said:

In broad terms, the starting position at law is that an Electronic Money Institution ("EMI") such as Revolut is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

And, as the Supreme Court has recently reiterated in *Philipp v Barclays Bank UK PLC*, subject to some limited exceptions banks have a contractual duty to make payments in compliance with the customer's instructions.

In that case, the Supreme Court considered the nature and extent of the contractual duties owed by banks to their customers when making payments. Among other things, it said, in summary:

- The starting position is that it is an implied term of any current account contract that, where a customer has authorised and instructed a bank to make a payment, it must carry out the instruction promptly. It is not for the bank to concern itself with the wisdom or risk of its customer's payment decisions.
- At paragraph 114 of the judgment the court noted that express terms of the current account contract may modify or alter that position. In *Philipp*, the contract permitted Barclays not to follow its consumer's instructions where it reasonably believed the payment instruction was the result of APP fraud; but the court said having the right to decline to carry out an instruction was not the same as being under a legal duty to do so.

In this case, the terms of Revolut's contract with Mrs L modified the starting position described in *Philipp*, by – among other things – expressly requiring Revolut to refuse or delay a payment “*if legal or regulatory requirements prevent us from making the payment or mean that we need to carry out further checks*” (section 20).

So Revolut was required by the terms of its contract to refuse payments in certain circumstances, including to comply with regulatory requirements such as the Financial Conduct Authority's Principle for Businesses 6, which required financial services firms to pay due regard to the interests of their customers and treat them fairly. I am satisfied that paying due regard to the interests of its customers and treating them fairly meant Revolut should have been on the look-out for the possibility of fraud and refused card payments in some circumstances to carry out further checks.

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 March 2022 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;<sup>1</sup>
- 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.

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)<sup>2</sup>.
- 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 Code<sup>3</sup>, 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

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<sup>1</sup> 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/](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/)

<sup>2</sup> 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.

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

account under the consumer's control before being sent to a fraudster. Our service has seen a significant increase in this type of fraud over the past few years – particularly where the immediate destination of funds is a cryptocurrency wallet held in the consumer's own name. And, increasingly, we have seen the use of an EMI (like Revolut) as an intermediate step between a high street bank account and cryptocurrency wallet.

- The main card networks, Visa and Mastercard, don't allow for a delay between receipt of a payment instruction and its acceptance: the card issuer has to choose straight away whether to accept or refuse the payment. They also place certain restrictions on their card issuers' right to decline payment instructions. The essential effect of these restrictions is to prevent indiscriminate refusal of whole classes of transaction, such as by location. The network rules did not, however, prevent card issuers from declining particular payment instructions from a customer, based on a perceived risk of fraud that arose from that customer's pattern of usage. So it was open to Revolut to decline card payments where it suspected fraud.

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 March 2022 that Revolut should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;
- have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer;
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment – (as in practice Revolut sometimes does); and
- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving (including for example the common use of multi-stage fraud by scammers, including the use of payments to cryptocurrency accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.

Whilst I am required to take into account the matters set out at DISP 3.6.4R when deciding what is fair and reasonable, I am satisfied that to comply with the regulatory requirements that were in place in March 2022, Revolut should in any event have taken these steps.

*Should Revolut have recognised that Mrs L was at risk of financial harm from fraud?*

When deciding whether Revolut should've identified a risk of financial harm, I have taken into account that many cryptocurrency payments similar to this may be legitimate and not related to a scam.

But, when Mrs L made the first payment, I'm satisfied that Revolut should've identified that she was potentially at risk of financial harm. I say this taking into account the size of the payment and that it was identifiably related to cryptocurrency. Also, this was an existing account that was opened in 2019 and Mrs L hadn't previously made any payments in excess

of £1,500. So, this payment was unusual and out of character compared to her usual account activity.

I would also have expected Revolut to have identified a risk of financial harm when the second payment was made, as it was more than double the first payment in size and was again identifiably going to cryptocurrency.

I wouldn't expect Revolut to have intervened on any of the subsequent payments taking into account their size and the spacing between the payments.

*What did Revolut do to warn Mrs L?*

Revolut say Mrs L wasn't presented with any warnings when she made these payments.

*What kind of warning should Revolut have provided?*

When Mrs L made the first payment, I'm satisfied that it would've been proportionate for Revolut to provide an onscreen warning that broadly covered common scams.

However, when Mrs L made the second payment, I would've expected Revolut to provide a tailored investment scam warning onscreen. I say this as investment scams were the most common scam type related to cryptocurrency in April 2022, when Mrs L made this payment. This tailored warning should've covered off the key features of such a scam, such as investments being offered on social media sites, endorsements by high profile celebrities, returns that were too good to be true, returns being guaranteed (as forex trading involves risk so a genuine firm wouldn't guarantee a return), being asked to make further investment over a short period of time and being unable to withdraw funds.

I'm not satisfied that I can fairly say Revolut should've provided human intervention when either of these payments were made.

*If Revolut had provided a warning of the type described, would that have prevented the losses Mrs L suffered?*

I'm not satisfied that an onscreen warning that broadly covered common scams would've resonated with Mrs L. I think the broad content of the warning is unlikely to have affected Mrs L's decision to proceed with making the payment.

However, I think a tailored cryptocurrency investment scam warning would have prevented Mrs L from making any further payments.

Shortly after making payment one, Mrs L was given two onscreen warnings from banks she used to fund her Revolut account. These warnings were aligned to safe account scams as Mrs L was transferring money to accounts in her own name. So these warnings didn't highlight the key features of investment scams and didn't impact Mrs L's decision to transfer funds. But I can see that Mrs L asked the scammer why it wasn't a good idea to mention bitcoin to her bank if they asked her about the payment. It's unclear what the scammer told her in response to her question as we only have some of the screenshots with the scammer, but it's clear that Mrs L was having some concerns.

If Revolut had highlighted the common features of investment scams, including that they're often found on social media sites, offer returns that are too good to be true and guaranteed returns, I think Mrs L would've been concerned that this matched the circumstances under which she had found the investment and was making the payments. Mrs L had thought investments on social media sites were vetted and genuine, so I think it's more likely than

not a warning saying that they were often scams would've prevented her from making any further payments.

On that basis, I'm satisfied Revolut could've prevented Mrs L's loss from payment two.

*Is it fair and reasonable for Revolut to be held responsible for Mrs L's loss?*

In reaching my decision about what is fair and reasonable, I have taken into account that Revolut was the intermediary here. Mrs L transferred funds from two bank accounts she held to her Revolut account, before sending the money onto a cryptocurrency wallet in her name – then sent the cryptocurrency to accounts controlled by the scammer.

But as I've set out in some detail above, I think that Revolut still should have recognised that Mrs L might have been at risk of financial harm from fraud when she made payment two, 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 Mrs L 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 Mrs L's own account does not alter that fact and I think Revolut can fairly be held responsible for Mrs L'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 Mrs L 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 Mrs L could instead, or in addition, have sought to complain against those firms. But Mrs L has not chosen to do that and ultimately, I cannot compel her to. In those circumstances, I can only make an award against Revolut.

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

*Should Mrs L bear any responsibility for her 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'm satisfied that it would be fair for Mrs L to share responsibility for her loss with Revolut. I'll explain why.

When Mrs L made payment one, she had been able to make a small withdrawal from her initial investment – which she would've found convincing that the investment was genuine. However, before making payment two, Mrs L had seen two warnings from her other banks, which should've caused her to pause and consider what she was doing.

Also, while Mrs L says she wasn't told to lie about the purpose for her payments, I can see in the chat with the scammer (prior to payment two) that she did question why she shouldn't mention "bitcoin". I can't see what the scammer's answer was, but this suggests that there was some coaching going on. I think Mrs L should've had some concerns about why she couldn't provide certain information to her bank if the investment was legitimate.

Also, I can't see that Mrs L did any checks on X before making payment one. Mrs L says she looked at X's website and talked to the scammer who she believed was a broker working for X, but she didn't complete any checks to satisfy herself that X was a genuine firm. As this was a significant amount of money for Mrs L, I would've expected some basic online checks to at least see reviews of the company that she was investing in. If she had, she would've seen warnings about X being a scam, from as early as November 2021.

On that basis, I'm satisfied that it's fair for Mrs L to share responsibility for her loss with Revolut and reduce the refund by 50%.

As a note, we've checked with Mrs L what funds she was able to withdraw from her investment. She was only able to make one withdrawal which was after she made her initial payment from Bank H, and the withdrawal was paid prior to Mrs L making the first payment from her Revolut account. So, I haven't seen any evidence that suggests Mrs L received any returns that should be deducted from the refund I'm asking Revolut to pay.

As Mrs L has been deprived of the use of the funds, Revolut should pay interest of 8% on the refund.

My provisional decision was that I intended to uphold this complaint and ask Revolut to refund Mrs L £15,749.50 and pay interest on the refund of 8% simple interest, calculated from the date of the payments until the date of settlement.

### **Responses to my provisional decision**

Mrs L responded saying she accepted my provisional decision, and Revolut said they have nothing further to add.

As the deadline for responses to my provisional decision has expired, I'm going to proceed with issuing my final decision.

### **What I've decided – and why**

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

As no new evidence or arguments have been put forward by either party, I see no reason to reach a different answer than I did in my provisional decision.

### **In summary**

I'm satisfied that Revolut should've identified that Mrs L may've been at risk of financial harm when she made the first payment. I say this taking into account the previous activity on Mrs L's account, the size of the payment and that it was identifiably related to cryptocurrency.

In response to identifying that risk, I would've expected Revolut to have provided Mrs L with an onscreen warning that broadly covered common scams. However, I'm not satisfied that this type of warning would've resonated with Mrs L or prevented her loss.



When Mrs L made the second payment, I would've expected Revolut to have identified a further risk of financial harm. I say this as the second payment was significantly larger than the first payment. I'm persuaded it would've been appropriate at this point for Revolut to have provided an onscreen tailored cryptocurrency investment scam warning, which was the most common scam type when Mrs L made the payment in April 2022.

This tailored warning should've highlighted the key features of cryptocurrency investment scams (which I've set out above). I think this warning would've resonated with Mrs L as the key features would've mirrored the circumstances under which she found the investment. I'm persuaded it's more likely than not that Mrs L wouldn't have proceeded with making the payment, having seen that warning. On that basis, I'm satisfied it's fair for Revolut to refund Mrs L from payment two.

However, I've reduced the refund by 50% as I think it's fair for Mrs L to share responsibility for her loss with Revolut. This is because Mrs L was being coached by the scammer on what to say (which should've concerned her), and she didn't do any checks on X to satisfy herself they were a genuine firm. I've also taken into account that Mrs L had been shown two warnings from the other banks she used to fund her Revolut account.

As Mrs L was without the use of these funds, Revolut should pay interest on the refund as set out below.

### **Putting things right**

To put things right I require Revolut Ltd to:

- refund 50% from payment two onwards, being £15,749.50 and
- pay interest on the refund of 8% simple interest, calculated from the date of the payments until the date of settlement\*.

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

### **My final decision**

My final decision is that I uphold this complaint against Revolut Ltd and require them to compensate Mrs L as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 5 June 2025.

Lisa Lowe  
**Ombudsman**