

The complaint

Mr S complains that Revolut Ltd (“Revolut”) didn’t do enough to protect him when he fell victim to a scam.

What happened

In April 2023, Mr S made payments totalling over £7,000 to a cryptocurrency exchange. He believed he was investing his funds, having been introduced to an investment opportunity by someone he’d met online.

Believing he’d made a profit, Mr S tried to withdraw these from the investment but was asked to provide additional funds to do so. But when Mr S tried to access his savings – which were with another account provider – to make this payment, he was asked questions which led to him realising he’d been the victim of a scam.

Realising he’d been scammed, Mr S raised the matter with Revolut. But it didn’t agree to reimburse him. So he referred the complaint to our Service, via a representative.

Our investigator considered the complaint. He considered the five payments that had been disputed and felt that Revolut should have intervened at the point of the final payment. This was on the basis that it was the third payment made to cryptocurrency that day (18 April 2023), was significantly larger than previous cryptocurrency payments, and brought the total amount spent on cryptocurrency that day to a significant sum. He thought a tailored written warning would likely have stopped Mr S from making the final payment, particularly as he’d expressed reservations about the investment in his communication with the scammer.

But he thought Mr S should bear some responsibility for his losses. Mr S had expressed reservations about the investment to the scammer but continued, despite these, without conducting sufficient research that would have led to further concerns. So, the investigator recommended Revolut refund 50% of the final payment, plus 8% simple interest per annum.

Mr S agreed but Revolut didn’t. It said the payments weren’t particularly high in value, that the payments on the final day weren’t made in quick succession and that Mr S had made payments to cryptocurrency previously albeit much lower in value. And it pointed out that ‘crypto’ has been given as one of the payment purposes of the account. It also raised the question around whether the third parties from where the funds originated had intervened.

As Revolut didn’t agree, the complaint was passed to me. I communicated with Revolut informally, as our rules allow. Within this communication, I let Revolut know that one of the third parties didn’t intervene and one did, but Mr S had answered truthfully and didn’t appear to have been provided with a warning about cryptocurrency investment scams.

I also noted that a further payment had been made on 18 April 2023 that hadn’t been disputed. The representative has advised that this payment wasn’t disputed as while £1,700 was paid to a cryptocurrency exchange, £1,627.50 had been returned so there was in effect no, or minimal, financial loss relating to this payment. But I explained to Revolut that this payment did form part of the wider context, in that an additional £1,700 was paid to a

cryptocurrency exchange that day. I was therefore minded to uphold the complaint from an earlier point.

For ease, the relevant outgoing payments are as follows:

Date	Recipient	Amount
12 April 2023	Cryptocurrency exchange 1	€61.85
16 April 2023	Cryptocurrency exchange 1	£532.09
18 April 2023	Cryptocurrency exchange 2	£1,700
18 April 2023	Cryptocurrency exchange 1	£1,000
18 April 2023	Cryptocurrency exchange 1	£800
18 April 2023	Cryptocurrency exchange 1	£3,200

So I was minded to conclude that Revolut should have provided a tailored written warning at the point of payment five (for £800). Like the investigator, I felt this would have likely made a difference to whether Mr S went through with the payment. But I agreed he should bear some responsibility for much the same reasons as those given by the investigator. So I let Revolut know I was inclined to recommend a 50% reimbursement of payments five and six, plus 8% simple interest per annum from the date of payment to the date of settlement. I was conscious there have been two credits – one as outlined above, and one of the £1,000 payment. But these involved payments prior to the appropriate intervention point.

Revolut didn't agree and asked for a decision. So I issued a provision decision. In this, 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 Mr S 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'm satisfied that paying due regard to the interests of its customers and treating them fairly meant Revolut should have been on the look-out for the possibility of fraud and refused card payments in some circumstances to carry out further checks.

In practice Revolut did in some instances refuse or delay payments at the time where it suspected its customer might be at risk of falling victim to a scam.

I must also take into account that the basis on which I'm 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 April 2023 have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances.

In reaching the view that Revolut should have been on the look-out for the possibility of fraud and have taken additional steps, or made additional checks, before processing payments in some circumstances, I am mindful that in practice all banks and EMI's like Revolut did in fact seek to take those steps, often by:

- using algorithms to identify transactions presenting an increased risk of fraud;¹*
- requiring consumers to provide additional information about the purpose of transactions during the payment authorisation process;*
- using the confirmation of payee system for authorised push payments;*
- providing increasingly tailored and specific automated warnings, or in some circumstances human intervention, when an increased risk of fraud is identified.*

¹ For example, Revolut's website explains it launched an automated anti-fraud system in August 2018: https://www.revolut.com/news/revolut_unveils_new_fleet_of_machine_learning_technology_that_has_seen_a_fourfold_reduction_in_card_fraud_and_had_offers_from_banks/

For example, it is my understanding that in April 2023, Revolut, whereby if it identified a scam risk associated with a card payment through its automated systems, could (and sometimes did) initially decline to make that payment, in order to ask some additional questions (for example through its in-app chat).

I am also mindful that:

- Electronic Money Institutions like Revolut are required to conduct their business with “due skill, care and diligence” (FCA Principle for Businesses 2), “integrity” (FCA Principle for Businesses 1) and a firm “must take reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems” (FCA Principle for Businesses 3)².*
- Over the years, the FCA, and its predecessor the FSA, have published a series of publications setting out non-exhaustive examples of good and poor practice found when reviewing measures taken by firms to counter financial crime, including various iterations of the “Financial crime: a guide for firms”.*
- Regulated firms are required to comply with legal and regulatory anti-money laundering and countering the financing of terrorism requirements. Those requirements include maintaining proportionate and risk-sensitive policies and procedures to identify, assess and manage money laundering risk – for example through customer due-diligence measures and the ongoing monitoring of the business relationship (including through the scrutiny of transactions undertaken throughout the course of the relationship). I do not suggest that Revolut ought to have had concerns about money laundering or financing terrorism here, but I nevertheless consider these requirements to be relevant to the consideration of Revolut’s obligation to monitor its customer’s accounts and scrutinise transactions.*
- The October 2017, BSI Code³, which a number of banks and trade associations were involved in the development of, recommended firms look to identify and help prevent transactions – particularly unusual or out of character transactions – that could involve fraud or be the result of a scam. Not all firms signed the BSI Code (and Revolut was not a signatory), but the standards and expectations it referred to represented a fair articulation of what was, in my opinion, already good industry practice in October 2017 particularly around fraud prevention, and it remains a starting point for what I consider to be the minimum standards of good industry practice now (regardless of the fact the BSI was withdrawn in 2022).*
- Revolut should also have been aware of the increase in multi-stage fraud, particularly involving 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.*
- 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*

² Since 31 July 2023 under the FCA’s new Consumer Duty package of measures, banks and other regulated firms must act to deliver good outcomes for customers (Principle 12), but the circumstances of this complaint pre-date the Consumer Duty and so it does not apply.

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

straight away whether to accept or refuse the payment. They also place certain restrictions on their card issuers' right to decline payment instructions. The essential effect of these restrictions is to prevent indiscriminate refusal of whole classes of transaction, such as by location. The network rules did not, however, prevent card issuers from declining particular payment instructions from a customer, based on a perceived risk of fraud that arose from that customer's pattern of usage. So it was open to Revolut to decline card payments where it suspected fraud, as indeed Revolut does in practice (see above).

Overall, taking into account relevant law, regulators rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider it fair and reasonable in April 2023 that Revolut should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams;*
- have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer;*
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment – (as in practice Revolut sometimes does); and*
- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving (including for example the common use of multi-stage fraud by scammers, including the use of payments to 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 April 2023, Revolut should in any event have taken these steps.

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

As our investigator concluded, I don't consider that Revolut should have been concerned by the first four payments. While not for insignificant amounts, the payments weren't so high that I would have expected Revolut to have provided a warning.

But I do consider that Revolut should have recognised at payment five that Mr S was at risk of financial harm from fraud. This payment – the third that day to cryptocurrency – would have brought his daily spend (to cryptocurrency) to £3,500. Given the date and the nature of the payments, I would have expected Revolut to have provided a tailored written warning, relevant to cryptocurrency investment scams, tackling some of the key features of a scam. But it doesn't appear to have done so.

If Revolut had provided a warning of the type described, would that have prevented the losses Mr S suffered from payment five?

Had Revolut provided Mr S with a tailored warning about cryptocurrency investment scams, I think it likely this would have led to the scam unravelling. I say this because, much like our investigator said, it's clear from his communication with the scammer that he had doubts about the investment. So a warning setting out the key features of scams like this one, for example referencing common tactics used in romance scams, would likely have resonated

with him. And we know that when he was later questioned by another account provider, he came to the realisation he'd been scammed.

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 payments originated from other account providers. 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 he made payment five, and in those circumstances it should have declined the payment and made further enquiries.

If it had taken those steps, I'm satisfied it would have prevented the losses Mr S suffered. The fact that the money used to fund the scam came from elsewhere and/or wasn't lost at the point it was transferred to 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 consumer 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 them to. In those circumstances, I can only make an award against Revolut.

I'm also not persuaded it would be fair to reduce Mr 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'm satisfied that it would be fair to hold Revolut responsible for Mr S's loss from payment five (subject to a deduction for Mr S's own contribution which I will consider below).

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.

Having done so, I think Mr S should bear equal liability for the losses that I'm asking Revolut to reimburse. I say this for much the same reasons as have already been outlined above and previously; namely that Mr S expressed doubt but continued despite these doubts, without seemingly conducting any research. And the opportunity wasn't presented to him through a reputable source – it was through someone he'd met online in a dating capacity who was putting a degree of pressure on him.

Given Mr S's contributory negligence but factoring in Revolut's involvement, notably that it could have prevented further loss, I'm minded to say that the parties should be held equally liable from payment five onwards.

So, I think Revolut should reimburse Mr S 50% of his losses from (and inclusive of) payment five onwards. It should pay 8% simple interest per annum on this amount from the date of payment until the date of settlement.”

Mr S accepted the provisional decision. Revolut said it had nothing further to add. So I'm now in a position to issue 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.

Having done so, as neither party has provided any new evidence or considerations, I see no reason to depart from my provisional findings.

Putting things right

Revolut Ltd should:

- Reimburse Mr S 50% of his losses from payment five onwards;
- Add 8% simple interest per annum to this amount from the date of loss to the date of settlement.

My final decision

For the reasons give above, I uphold this complaint in part. I direct Revolut Ltd to put things right as set out above within 28 days of acceptance of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 30 June 2025.

Melanie Roberts
Ombudsman