DRN-5709527

The complaint

M, a company, has complained that Revolut Ltd didn't do enough to prevent them losing money to an email invoice intercept scam. They'd like the funds returned to them.

What happened

In May 2022 M entered into an agreement with a supplier, who I will refer to as V, to purchase a number of vehicles. They agreed a fee for the supply of the vehicles.

On 28 May 2022 M received two invoices from V for €319,000 and €435,000, but these did not contain any account details. The next day M received two further invoices for €412,500 and €314,500 with account details for a Turkish bank.

But shortly after that M received revised invoices with Revolut account details. The director of M says he attempted to confirm the details with V, as he wasn't familiar with Revolut. But after a discussion, he made a payment of €412,500 on 1 June 2022 from M's bank outside the UK. They later received an invoice for €9,100 which they paid, but the funds were sent to a different set of Revolut account details.

On 6 June 2022 M received an invoice for €314,500 with a third set of Revolut account details, but this payment wasn't made. And the next day V contacted M to say they had not received payment. It was discovered that the invoices had been intercepted, and that the account details had been fraudulent. Revolut were informed of the fraud by M's bank on 8 June. The payment of €9,100 was recovered. But the rest of M's funds had already been sent on.

M complained to Revolut, saying they should not have accepted the transaction, and they should have noticed the payment was an attempt to misappropriate M's funds. They asked for a refund of their losses, as well as the cost of their legal fees.

Revolut responded to say they conducted due diligence and carried out appropriate checks when opening the account. They did not offer to refund anything to M.

Not satisfied with this answer M referred their complaint to our service. Initially Revolut had concerns that M was too large a business for our service to consider a complaint from. Our investigator though reasoned that as M would have been considered a micro-enterprise for two of the three relevant years, so fell within the scope of our service.

Our investigator thought that the complaint should succeed. She said, in summary:

- There was nothing in the account opening details that would have suggested the account would be used to receive misappropriated funds.
- There was no obligation on Revolut to check the recipient's name at the time the payment was received.
- She found that Revolut had flagged the account for review the day after the funds had been received and passed on, and they had reached the conclusion that the account was likely fraudulent.

- But she felt that the account activity was unusual enough that Revolut should have intervened before any payments were sent out. M's payment was of a considerable value and sent to a company that had only been incorporated two weeks previously. She also saw that the intended recipient name didn't match that of the account holder.
- The first payment out was for $100,000USD under an hour after the first international payment had been received and was being sent to China. This ought reasonably to have prompted enough concern that Revolut should have declined the payment transaction.
- She didn't feel the account holder would have been able to provide a reasonable explanation for the account movements. As such she thought it likely that Revolut would likely have been holding the full balance when the fraud report would have been received – so the funds would have been recoverable.
- But she also thought M should bear some responsibility for the loss, as the changes of account details ought reasonably to have prompted concern that they were not genuinely from V. She was also mindful that M was expecting to pay a company in Turkey but had instead paid a UK-based account. And she didn't think M had done enough to confirm the payment instructions with V before making the payment.

To put things right she suggested Revolut refund 50% of the loss - €206,250 and add 8% simple interest per annum from the date of the fraud report.

This was accepted by M. But Revolut didn't accept this. They said they felt their actions were consistent with the regulatory environment at the time, and it was reasonable to review accounts retrospectively for fraud concerns, rather than in real time. They did not agree to reimburse M.

As no agreement could be reached the complaint was passed to me to decide. After review I issued a provisional decision that said:

Revolut provided the account that M paid and through which they lost money to a scam. But this doesn't automatically entitle M to a refund from Revolut. In the circumstances of this complaint, M weren't (and aren't) a customer of Revolut. And I accept there was no customer relationship, contract or direct duty of care between the parties.

However, I must reach an outcome based on what I consider to be fair and reasonable in all the circumstances, taking into account relevant legislation and case law. And if Revolut have failed in such a way that I think it can fairly be said that they caused the loss to M, I'd consider it fair and reasonable that they should pay redress.

As a payment account provider, Revolut has an obligation to be alert to various risks in relation to the payment accounts they hold. They are expected to conduct their business with due care and skill – and they are expected to have systems in place to monitor accounts and payment transactions to counter various risks such as money-laundering, fraud and scams. Revolut should have systems in place to look out for any unusual transactions or other indicators of fraud or financial crime. I'm satisfied that these obligations existed at the time of the transactions this complaint involved.

Revolut is ultimately responsible for how their fraud detection systems are configured. And I recognise there's a balance to struck between allowing their customers to transact freely, and questioning transactions as to whether they are legitimate.

I've considered here whether Revolut did enough to prevent M's losses as a result of this APP scam.

<u>Account opening</u>

Revolut are required to verify the identity of the account holders – and here I'm satisfied here that they did. In this case the account was held in the name of a limited company, and I'm satisfied that they verified the details with Companies House and asked reasonable questions about the expected activity on the account.

I note that the account holder didn't answer the question on expected turnover, but I'm not persuaded this would have been a reason to decline to open the account. The purpose of the business was given as event planning.

Likewise, I'm satisfied that Revolut took reasonable steps to identify the director. M has pointed out they share a name with a missing person, but I don't see this would be a level of checking I'd expect Revolut to carry out.

Overall, I've not seen anything to suggest that at the point of the account opening, Revolut could have expected the account to be used to misappropriate funds. In any event, we know that the fraudsters had access to other accounts, as they supplied at least two other sets of details to M. So, I'm not persuaded that this represents a missed opportunity to prevent the fraud.

<u>Account activity</u>

The account was little used before the receipt of M's payment – there was a payment in May 2022 for £10, and then £56.60 the day before. It had made no previous payments out. I don't think there was anything in the account activity, prior to the arrival of M's payment, where Revolut ought to have done more.

M's payment is by far the biggest payment into the account, although it was a new business account so there is an argument that there would be no expected pattern of transactions, or that it wouldn't be unexpected for a new account to receive some initial funding. That being said, over €400,000 is a very significant incoming payment. Revolut aren't obliged to manually check every inbound payment, and it would be impractical to do so. But as mentioned above, I'm satisfied there was at the time a broad set of legal and regulatory requirements to monitor accounts for signs of financial crime, or financial harm.

Here Revolut did review the account, but by the time they did so, all of M's funds had been moved on. Revolut explained this by saying that their system flagged the account for a review, and they aren't required to conduct such reviews in real-time.

As I've mentioned above, Revolut are required to actively monitor the accounts they provide. And in instances where there is enough of a concern about potential authorised push payment fraud, they should take action. And this action can involve creating a pause, to investigate further before allowing funds to leave an account.

I'm minded that by the time the accountholder submitted the first payment request of $100,000 there ought reasonably to have been significant concern. Their customer was instructing the first outbound payment from the account, and it was for a significant amount. This was also being sent to what must have been a new or recently set up payee, and it was an international payment. I think this payment represented additional risk and at this point I think it would have been reasonable for Revolut to have made enquiries to their customer, prior to processing the payment, primarily to check they weren't in the process of being scammed. And once Revolut were looking at the account, they most likely would've seen *the significant incoming payment which had very recently arrived. I think this would've then caused Revolut to have had further concerns.*

I say this because the remittance advice that M have provided shows that the beneficiary's name included with their payment instruction was for who they believed they were dealing with, not the named Revolut account holder. And whilst not 100% conclusive in and of itself, Revolut would've seen that their customer had received a very significant amount of money when they may not have been the intended recipient (due to the beneficiary name mismatch).

I also don't think it would've been immediately obvious why a newly incorporated UK based event management company was receiving so much money from an international payer, and then promptly trying to send some of this on, again internationally. The outgoing payment they were trying to make also looked like it was to a machinery company, again something that wouldn't obviously fit in with what Revolut know about their customer and their sector of business.

Further to this the funds arrived as Euros, were converted into Pounds Sterling and then the requested payment was to be sent as US Dollars. This pattern of currency conversions doesn't suggest a business taking care of their funds.

Had Revolut restricted the use of the account, and asked further questions of their customer, I'm not persuaded that the customer could have provided a reasonable explanation. There were enough concerning factors that I don't think Revolut would have been persuaded these were legitimate funds. And they broadly reached this conclusion in their review after the funds had already been transferred. And even if their customer had tried to explain their entitlement to the funds, I don't think its likely they'd have plausibly done so before Revolut were first on notice that the payment had been made as a result of a scam, which happened only a few days after the payment was received.

So, I see that Revolut did miss an opportunity here to prevent M's funds from being moved on. Had Revolut done all I'd reasonably expect (even taking account of Revolut highlighting that this all took place in 2022), I think all of M's money would've remained in the account and available for recovery. On that basis I see that it's fair and reasonable for Revolut to refund M's loss.

<u>What is fair redress in the circumstances?</u>

I've considered whether M should also bear some responsibility for the loss. And overall, I'm persuaded they should. In short order they had received three invoices from V – with differing account details.

The Revolut details were very clearly to a UK-based account, based on the SWIFT code and IBAN given. Which considering they were expecting to pay a Turkish firm ought to have prompted more consideration. M says they attempted to verify the payment details with V, and there was some confusion with translation.

V has supplied some information about the scam, but it doesn't mention what was discussed in the call, so I'm not sure I can draw any specific conclusions there. But there doesn't appear to have been any specific time pressure to make the payment, especially considering Mr C didn't make the payment of €314,500 immediately.

Had M taken more time to verify the payment details before instructing their bank, then the fraud could potentially have been avoided. Revolut have raised a fair point about the size of M as a company and the territories in which it operates. In the circumstances of this *complaint, I agree M is a large enough company that I would reasonably expect them to have procedures in place to verify payment instructions before sending them. And to have familiarised themselves with the sorts of risks they might encounter when going about their business, which would include the possibility of invoices being intercepted or otherwise amended.*

Taking this into account I'm minded that a reduction in the award of 50% is fair.

I've considered M's legal costs, but ultimately I'm not minded it would be fair to ask Revolut to pay these. It was M's decision ultimately to engage with legal representation. And ultimately the dispute with Revolut could be dealt with for free through our service.

In terms of the loss of use of these funds, I'm minded that M was always intending on paying V. So they never had any intention of retaining these funds. I can see that they subsequently paid V €150,000 on 23 June 2022, although I can't be certain this payment relates to the €412,500 transaction. As such, I'm not currently minded any interest to this award in appropriate.

I suggested Revolut should pay M 50% of their losses, which is €206,250.

Revolut considered the provisional decision, but confirmed they had nothing further to add. M provided more evidence of payments to V and asked for reconsideration of an interest award.

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.

Neither party has given me any new points to consider in regards to the account opening, or transaction monitoring. As such I remain satisfied with the conclusions reached in the provisional decision.

The account activity was unusual enough that Revolut ought to have intervened to question their customer as to the source of their funds. If Revolut had declined the payment instructions, I'm not persuaded that their customer would have been able to provide a reasonable explanation for the receipt of funds – especially considering the name mismatch and attempt to send the funds onward internationally. And it's likely that the fraud report from M's bank would have been received before any funds left the account.

That said, I also think M contributed to their own loss. They were expecting to pay a Turkish company but were given UK account details, which may have prompted some concern. I'm not persuaded M took reasonable steps to verify these details before making payment. It's appropriate that a reduction in the award for contributory negligence is appropriate – and I see that 50% is reasonable.

I've received information from M to show payments were later made to V. There were some conflicts in this payment advice, and I'm not persuaded by the explanation provided of this discrepancy. Given that M was always intending on paying V a second payment, I don't see that it would be appropriate for me to direct Revolut to add interest to the award.

Putting things right

To resolve this complaint Revolut should repay M 50% of their losses – which I make to be €206,250.

My final decision

My final decision is that I uphold this complaint and direct Revolut Ltd to settle it as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 20 August 2025.

Thom Bennett
Ombudsman