DRN-5804799

The complaint

X complains that Revolut Ltd hasn't protected them from losing money to an investment scam.

What happened

The background to this complaint is well known to both parties, so I won't repeat everything here. In brief summary, X has explained that between April and September 2022 they made numerous card payments from their Revolut account as a result of an investment scam.

X subsequently realised they'd been scammed and got in touch with Revolut. Ultimately, Revolut didn't materially reimburse X's lost funds, and X referred their complaint about Revolut to us. As our Investigator couldn't resolve the matter informally, the case has been passed to me for a decision.

I sent X and Revolut my provisional decision in February and I since emailed the parties further to explain my intended decision. Both parties have had fair opportunity to provide their ultimate submissions, and I'm now ready to explain 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.

I've focused on what I think is the heart of the matter. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

I've decided to uphold this complaint in part.

<u>Prevention</u>

I don't doubt X has been the victim of a scam here, and they have my sympathy. But I'm not persuaded I'd reasonably expect Revolut to have prevented X making the payments. I say this for the reasons I've already explained, which I'll explain again here.

I'm satisfied X authorised the relevant payments. Revolut would generally be expected to process payments a customer authorises it to make. And under The Payment Services Regulations and the terms and conditions of the account, X is presumed liable for the loss in the first instance, in circumstances where they authorised the payments. That said, as a matter of good industry practice Revolut should have taken proactive steps to identify and help prevent transactions – particularly sufficiently unusual or uncharacteristic transactions – that could involve fraud or be the result of a scam. However, there are many payments made by customers each day and it's not realistic or reasonable to expect Revolut to stop and check every payment instruction. There's a balance to be struck between identifying payments that could potentially be fraudulent, and minimising disruption to legitimate payments (allowing customers ready access to their funds).

In this case I note that X had held their account with Revolut since 2015. The account shows a history of frequent transactions often on the same day, with sufficient previous transactions that appear to have been for investment/forex purposes to say that this type of transaction wouldn't be uncharacteristic. Such that I think by the time X started making these transactions as a result of the scam in April 2022, they wouldn't have seemed concerning. It's notable that the first 37 of these transactions weren't also of the size where I'd reasonably expect Revolut's radar to be alerted, given the balance I've said above that needs to be struck.

I'm aware that our Investigator thought that Revolut ought, however, to have intervened in X's payments after the first 37 payments – on 8 August 2022 when a number of payments were made that together totalled more than £5,000. But unfortunately for X, I think by this stage that a pattern of usage had been established. Bearing in mind Revolut was entitled to take previous account activity into account when assessing fraud risk and what is unusual, uncharacteristic and suspicious – and indeed I'd expect it to – I don't think I can fairly say these payments ought to have concerned Revolut to the point that it ought reasonably to have intervened in them.

Neither do I think – with this pattern established, and the circumstances as they were – that I'd expect Revolut to have intervened in X's payments beyond 8 August 2022 in a way that would have been likely to prevent X's payments. X clearly would have felt some level of competence in what they thought they were investing in, with X having completed a course in forex earlier in the year. And whilst there was already an FCA warning in place about the outfit X was dealing with, X's card payments weren't identifiably to Revolut going to that outfit, so Revolut wouldn't have known this. Ultimately, whilst I've taken on board everything X has said, I just don't think I can fairly say these payments were by now, with the previous account history, unusual enough to expect Revolut to intervene to the extent whereby this would have been uncovered, given X hadn't previously done so. I'm sorry, therefore, as I know X will be disappointed, but I have to be fair, and I don't think it would be fair to hold Revolut responsible for X making these payments. I don't think Revolut unreasonably missed an opportunity to prevent them.

Recovery

As all of X's payments were made by debit card, the only potential avenue for recovering them after they were made was via the chargeback scheme. The chargeback scheme is a voluntary scheme set up to resolve card payment disputes between merchants and cardholders. Revolut is bound by the card scheme provider's chargeback rules. Whilst there is no 'right' to a chargeback, I generally consider it to be good practice that a chargeback be raised if there is a reasonable chance of it succeeding. But a chargeback can only be made within the scheme rules, meaning there are only limited grounds and limited forms of evidence that will be accepted for a chargeback to be considered valid, and potentially succeed. Time limits also apply.

I understand and am pleased to see that Revolut did refund to X a small amount as a gesture of goodwill in terms of a chargeback it attempted. I can understand in those circumstances why X has questioned why the remaining payments weren't refunded on this basis.

When a card has been used towards an investment (even a scam investment) there are very few chargeback rights. Some of X's payments were made by Mastercard and having considered what the rules say and the circumstances of X's dispute, I'm satisfied there are no chargeback rights available for X under Mastercard's scheme.

But some of X's payments were made by Visa. And Visa did introduce some specific reason codes under which X's chargebacks might have been pursued.

Revolut has said that the chargeback case presented by X was not related to the inability to access their account but rather concerns around the loss of funds due to gambling or trading activity; and that if X had already spent the money, the funds would no longer have been in the account. It also said the case was rejected because the service in question was purely a financial product – specifically a money order – which was provided. But as I've said, Visa introduced some specific reason codes under which X's chargebacks could have been pursued. It's clear X was of the view they'd been scammed, and I don't think it's unreasonable to say that Revolut, as the expert here, ought to have been able to ascertain the available reason codes and pursue them appropriately where warranted as here. In particular, there is reason code 13.5. Under this, X would have needed to have provided dated evidence of withdrawal requests from the scam company alongside evidence of an available balance greater than or equal to the withdrawal requested (on the same day) – that is, as provided by the rules, unless the cardholder (X) could instead provide proof that their account was inaccessible or inactive (where they could not provide a copy of the investment account showing the date, withdrawal amount, and the available balance at the time of the withdrawal request made).

Since X has been able to provide evidence that their account was inaccessible or inactive (which I recently re-shared with Revolut), I'm satisfied X had the evidence they needed to pursue chargeback claims under this reason code. So I've thought carefully about chargebacks under reason code 13.5. And I haven't seen a convincing reason why these chargebacks ought not to have succeeded. X had the evidence the reason code set out was needed.

So based on what I've seen, I'm satisfied that Revolut should have attempted Visa chargeback claims which likely ought to have succeeded. X's emails suggest it was around 1 October 2022 that they realised their "trading account" had been blocked. And I think 1 October 2022 is a fair date from which to backdate the 120-day time-limit that applies to reason code 13.5, such that Revolut should refund to X the Visa card transactions to the scam from 3 June 2022 onwards. Revolut should also pay 8% simple interest per year on the refund calculated from 1 October 2022 to the date of settlement. If Revolut deducts tax from this interest, then it should send X the appropriate tax deduction certificate.

It's possible that chargebacks might also have succeeded under Visa reason code 12.7 but this wouldn't have increased the refund available to X so I haven't considered this further here.

My final decision

For the reasons explained, I uphold this complaint in part and I direct Revolut Ltd to refund to X the Visa card transactions made to the scam from 3 June 2022 onwards. Revolut must also pay X interest on each payment from 1 October 2022 to the date of settlement calculated at 8% simple per year. If Revolut deducts tax from this interest, then it should send X the appropriate tax deduction certificate.

Under the rules of the Financial Ombudsman Service, I’m required to ask X to accept or reject my decision before 6 October 2025.

Neil Bridge
Ombudsman