DRN-5976671

The complaint

Mr W complains that Revolut Ltd won't refund money he lost when he was the victim of an investment scam.

Mr W is represented by a firm that I'll refer to as 'C'.

What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

In 2021/2022 Mr W fell victim to an investment scam. He's explained that, at time when he was searching for investment opportunities, he came across a firm I'll refer to as 'G'. G offered a service whereby they provided a platform in which their account managers guided their users how to invest.

Under the belief G was legitimate, Mr W decided to invest. To do this, G advised Mr W to set up a crypto wallet with a legitimate provider ('B') and open a Revolut account. Mr W then purchased crypto with B using his Revolut account and forwarded it to G's platform. G assisted Mr W through this process with the use of AnyDesk. The relevant transactions from Mr W's Revolut account are:

Transaction date	Payee	Type of transaction	Amount
10 December 2021	B	Debit card	£1,000
24 December 2021	B	Debit card	£3,000
10 January 2022	B	Debit card	£5,000
18 January 2022	B	Debit card	£10,000
25 January 2022	B	Debit card	£10,000
25 January 2022	B	Debit card	£10,000
25 January 2022	B	Debit card	£10,000
17 February 2022	B (via payment processor)	Fund transfer	£20,000
14 April 2022	B	Debit card	£20,000
		Total:	**£89,000**

Mr W has explained that communication with G started to dwindle after making the final payments before it ceased entirely. At this point he knew he'd been scammed.

Mr W notified Revolut that he'd been scammed in February 2024. And C, on Mr W's behalf, complained to Revolut in May 2024. C didn't think Revolut did enough to protect Mr W from falling victim to the scam. They thought Revolut should've identified the account activity as potentially fraudulent and carried out additional checks before processing the payments. Through questioning, the scam would've most likely been uncovered. And had a relevant scam warning been provided to Mr W, he wouldn't have proceeded with the payments. To settle this complaint, C wanted Revolut to refund Mr W, pay 8% simple interest and £300 compensation.

Revolut didn't uphold the complaint. It was referred to the Financial Ombudsman and considered by two of our Investigators. The latter considered it should be upheld in part from the point of the second £10,000 payment made on 25 January 2022. In short, he said:

- Revolut should've provided Mr W with a written warning that broadly covered general scam risks before processing the £5,000 payment on 10 January 2022. But he didn't think this would've resonated with Mr W as it wouldn't have specifically highlighted risks associated with crypto investments.
- Revolut should've spoken with Mr W before processing the second £10,000 payment on 25 January 2022. If this happened, he thought the scam would've been uncovered and Mr W's loss prevented from this point.
- Mr W should take some responsibility for his loss too. And so, it would be fair for Revolut to refund 50% of the payments, along with 8% interest.
- There wasn't any prospect of recovery of the funds.

Revolut agreed with our Investigator's recommendation. C didn't agree and, in short, they've said:

- Although Mr W accepts the application of contributory negligence, they disagree with the point in which the scam could've been prevented. They consider the trigger point ought to be on the first £10,000 payment, as there was an escalating payment pattern that was indicative of fraudulent activity.
- Mr W was a new Revolut customer and the account purpose given when opened was 'transfers', not crypto investments.
- Although crypto scams became more prominent later in 2022, there was a clear risk of financial harm to Mr W here. A human intervention would've been appropriate at this point, which would've uncovered the scam and prevented Mr W's loss.
- Mr W accepts the findings of the first Investigator that recommended 50% of his loss from the £5,000 payment onwards.

Our Investigator considered C's additional points, but his position remained the same.

The matter has been passed to me to decide.

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.

In broad terms, the starting position at law is that an Electronic Money Institution (EMI) such as Revolut are expected to process payments and withdrawals that a customer authorises them 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.

But, 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 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 their customers were at risk of fraud. 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;
- have been mindful of – among other things – common scam scenarios, how fraudulent practices are evolving (including for example the common use of multi-stage fraud by scammers, including the use of payments to crypto accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.

Should Revolut have recognised that Mr W was at risk of financial harm from fraud and, if so, what type of warning should've been provided?

It isn't in dispute that Mr W authorised the payments he made to B (from where crypto was subsequently transferred to the scammer). But whilst I have set out the circumstances which led Mr W to make the payments using his Revolut account and the process by which that money ultimately fell into the hands of the fraudster, I am mindful that, at that time, Revolut had much less information available to them upon which to discern whether any of the payments presented an increased risk that Mr W might be the victim of a scam.

When considering this, I've also kept in mind that EMIs process high volumes of transactions each day. And that there is a balance for Revolut to find between allowing customers to be able to use their account and questioning transactions to confirm they're legitimate – as it wouldn't be practical for Revolut to carry out additional checks before processing every payment.

Mr W's Revolut was opened for the purpose of the scam. So, there wasn't any prior usage available to Revolut for them to determine whether this activity was out of character for Mr W. But I don't think this prevented Revolut from assessing whether the activity was suspicious or if it potentially carried a known fraud risk.

Here, the payments were being made to a well-known crypto provider. And there are known fraud risks associated with crypto as scams like this have unfortunately become more prevalent in recent years. I must however consider, at the time of these payments, what was known to Revolut and what would've been reasonably expected from them. When doing so, I'm also mindful that a significant majority of crypto purchases made using a Revolut account will be legitimate and not related to any kind of fraud.

That said, the FCA and Action Fraud published warnings about crypto scams in mid-2018 and figures published by the latter show that losses suffered to crypto scams have continued to increase since. And so, Revolut should've been aware of the potential risks crypto presented when these payments were made. Because of this, I think it would've been reasonable for Revolut to suspect Mr W was at risk of financial harm when he made the £5,000 payment. And so, I think Revolut should have warned Mr W before processing this payment.

I've considered what type of warning would've been proportionate in this situation. And at that time, I think it would've been reasonable for Revolut to provide a written warning that broadly covered general scam risks. I similarly consider it would've been appropriate for Revolut to provide a similar type of warning for the next two transactions – those being £10,000 on 18 and 25 January 2022. At which point, I understand C argues that a human intervention would've been more appropriate for these transactions – as, along with the activity being inconsistent with the account opening purpose, they consider a pattern of fraudulent activity was emerging that warranted further enquiries being made.

I've given this careful thought, along with the need for Revolut to take an appropriate line between protecting against fraud and not unduly hindering legitimate transactions. And while I accept the payments were increasing in value, the account activity was spread out – with the payments, up to this point, being made over about a six-week period. So, the payments weren't made in rapid succession which can be an indicator of potential fraud. Instead, there was a minimum of a week between each payment. And although Mr W was using his Revolut account for debit card payments to B rather than for transfers (as per the account opening purpose he provided), I don't think Revolut would've had sufficient reason to consider there was a heightened risk of fraud at that time that warranted a more in-depth intervention.

I do however think this changed at the point of the second £10,000 payment on 25 January 2022. This was a significant increase in account spend for Mr W's account compared to previous activity. And the amount of time between the two payments being made was just under two hours. So, here, I think the increased activity to B with two payments totalling £20,000 and being made in a relatively short period was unusual and suspicious. I therefore think a proportionate response to the risk at this point would've been for Revolut to have attempted to establish the circumstances surrounding the payment before allowing it to debit Mr W's account. I think they should have done this by, for example, directing Mr W to their in-app chat to discuss the payment further.

If Revolut had provided the warnings I've described, would that have prevented the losses Mr W suffered?

I'm not persuaded a written warning, of the type I've described, would've deterred Mr W from making the payments. This is because, in raising his complaint to Revolut, Mr W has explained why he had a reasonable basis to believe G was genuine. This includes having carried out due diligence before proceeding, being impressed with the professionalism of G's website and his interactions with G (which included their verification process and them having what he considered a professional manner). Because of this, given Mr W had confidence he was dealing with a legitimate firm and had seen early success on his trading account, I don't think a written warning that set out general scam risks would've given Mr W enough reason to suspect he could be falling victim to a scam – particularly as it wouldn't have highlighted the common features of crypto investment scams, and Mr W has said he'd already done due diligence before investing. I therefore think Mr W would've likely gone ahead with the payments.

I do however consider that a human intervention at the point of the second £10,000 payment on 25 January 2022 would've liked exposed the scam. As Revolut has accepted our Investigator's recommendation, I won't cover this in detail. But I've no reason to consider Mr W wouldn't have been open and honest with Revolut if questioned about the purpose of the payment. And so, through appropriate questioning to establishing the surrounding circumstances of why Mr W was making the payment, I think Revolut would've identified common features of crypto investment scams. These include Mr W transferring crypto from B to another trading platform and the use of AnyDesk. At which point, I think it would've been reasonable for Revolut to have warned Mr W against making any further payments to G. I also consider that, upon highlighting concerns to Mr W about the legitimacy of G, a recommendation for him to check the FCA website would've been well received. In turn, Mr W would've become aware of the warning the FCA published in August 2021.

It follows that, had this happened, I think Mr W wouldn't have gone ahead with the payment and his loss would've been prevented from this point.

Should Mr W bear any responsibility for his loss?

This doesn't appear to be an issue of dispute, as both parties seemingly accept that they should bear some responsibility for Mr W's loss. Nevertheless, I've given it consideration and I agree that it would be fair for Mr W's compensation to be reduced for his contribution to the loss.

This is because, while Mr W has said he carried out due diligence on G before going ahead, having carried out my own historical internet search, the FCA's warning about G was a top search result. And I consider this would've been easy to find at the time. So, I think it would've been reasonable to have expected Mr W to have found it and, upon reading it, had concerns about G. I also found negative reviews of G that indicated it was operating a scam. And further to this, Mr W hasn't presented any contract or terms of agreement that he received from G. Considering his profession, while I accept this doesn't make him a financial expert, I would reasonably have expected him to have known that a legitimate investment company would provide such documentation to their clients. And that he should've expected it given the significant sums he was investing. The absence of this should've again brought into question the legitimacy of G.

With this in mind, I think it would've been reasonable to have expected Mr W to have taken steps to protect himself before proceeding – such as speaking to an independent financial adviser or carrying out further research into these types of investments (and potential scams). If Mr W had done this, then I think it's mostly likely he would've become aware that G was operating a scam. I therefore think Mr W could've prevented his losses.

I've therefore concluded, on balance, that it would be fair to reduce the amount Revolut pays Mr W, from the second £10,000 payment on 25 January 2022 onwards, because of his role in what happened. Weighing the fault that I've found on both sides, I think a fair deduction is 50%.

Could Revolut have done anything to recover Mr W's money?

The only option of recovery for the debit card payments was via chargeback. But given the payments were made to a legitimate crypto provider, I don't consider that a chargeback would have had any prospect of success given there's no dispute B provided the crypto to Mr W that he paid for.

In respect of the money transferred to B, there wouldn't have been any funds left to recover (as it had already been forwarded on as part of the scam). But even if there were funds remaining, Mr W would've had access to them and could've withdrawn them himself.

Putting things right

I think it is fair that Revolut refund Mr W from the second £10,000 payment on 25 January 2022 onwards, less 50% for contributory negligence. This totals £30,000.

Revolut should also pay 8% simple interest on the payments to compensate Mr W for his loss of the use of money that he might otherwise have used.

My final decision

My final decision is that I uphold this complaint in part. I direct Revolut Ltd to pay Mr W:

- £30,000 – that being 50% from the second £10,000 payment on 25 January 2022 onwards.

- 8% simple interest, per year, from the date of each payment to the date of settlement less any tax lawfully deductible.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 31 December 2025.

Daniel O'Dell
Ombudsman