

complaint

Mr B complains about various issues which arose in connection with his account with Revolut Ltd. He complains that his debit cards didn't work, Revolut's anti-money laundering (AML) requirements were too strict, their currency exchange rates were wrong and were not transparent, and about related matters.

background

In 2019 Mr B complained to Revolut about the following matters:

- Its AML requirements were too onerous. He said Revolut had asked him to provide 15 years' worth of pay slips.
- His card payments had been blocked in August 2018.
- Some pending card payments which had not been processed by the merchant had not been refunded within 30 days. He had had to ask for them to be done manually.
- He challenged the exchange rate Revolut had applied when he had traded one currency for another, and said that Revolut had not followed his instructions. Also, Revolut had not proved to him that it had used the correct exchange rate, and had given him contradictory information about this subject.
- Revolut had told him that currency speculation or arbitrage is prohibited, but there was no definition of what this meant in its terms and conditions, and its explanation was unclear and contradictory.
- Communicating with Revolut takes too long (but he has since decided not to pursue this point).

Revolut said that the delay in refunding some pending payments was a known issue which it was working to rectify. It apologised, and refunded one monthly subscription payment. But it did not accept the other criticisms. It said its terms and conditions said that Mr B had to comply with its requests for information. His card payments had only been blocked because of things Mr B himself had done (such as blocking his own card, or entering the wrong expiry date). It was its customers' responsibility to ensure that they were satisfied with the offered rate before entering a transaction.

Being dissatisfied with that answer, Mr B brought this complaint to our Service.

Subsequently, Revolut said Mr B's transaction had been carried out automatically, when the exchange rate had passed his pre-determined level. This had occurred immediately at the start of the weekend, when Revolut applied a mark-up to the rate, which had caused the rate to pass Mr B's chosen rate. It added that it had not said or decided that Mr B had breached its terms and conditions about currency speculation, and had not suspended or reviewed his account.

Our investigator did not uphold this complaint. She accepted Revolut's explanations, and did not think it had acted unfairly. Mr B asked for an ombudsman's decision. He pointed out two statements by Revolut which he said appeared to contradict each other.

Another ombudsman began to look into this case, but he has since left the Service. I have however read all of the correspondence between him and both parties.

my findings

I have considered all the available evidence and arguments to decide what is fair and reasonable in the circumstances of this complaint. I do not uphold it. I will explain why.

exchange rates

I will begin with the exchange rate issue, because Mr B told us this was the most important matter to him.

During a week in early 2019, Mr B instructed Revolut to exchange one currency to another when the exchange rate dropped to a certain level. From Monday to Friday, Revolut did not apply a mark-up to its exchange rates. But at weekends, Revolut applied a 1% mark-up to the exchange rate. That is normal industry practice, and it was mentioned in Revolut's terms and conditions and in a related document about Revolut's prices. This mark-up took the exchange rate some way past the level chosen by Mr B, and so at one minute past midnight on Saturday morning the transaction was automatically carried out, at a rate somewhat lower than Mr B had intended.

I have seen screenshots (provided to us by Mr B) in which Revolut explains to its customers how this works, before a transaction is set up. They say that "the rate at which the exchange takes place may not be equal to your target value due to market volatility." That was not the reason in this instance: the reason was that the rate jumped by one per cent at the start of the weekend. But the consequence was the same, and it was a foreseeable result of the 1% mark-up.

The risk of market volatility is mitigated by the fact (also explained in the screenshots) that if, in the short time between the target rate being hit and the transaction actually being executed, the exchange rate moves from the customer's target rate by 2.5% or more (this figure has since been reduced to 0.75%), then the transaction will not be carried out. So the impact of the 1% mark-up coming into effect was well within this tolerance at the time. (And the difference between the rate Mr B wanted and the rate he got was still within the new, reduced tolerance.) So I think it was reasonably foreseeable that the transaction might be carried out at the rate which was applied, instead of the target rate.

Mr B converted 20,429 Swiss francs into another currency. He has seen a document which appears to say that he converted 2,042,900 francs, but this is just the way that information is recorded there. He didn't actually exchange two million francs. He received the correct amount of the other currency.

Mr B asked Revolut about where it gets its exchange rates from, or how it calculates them. He complains that he received two conflicting answers about this. In its final response letter, Revolut told him this:

"The ... website investing.com is fully external to Revolut and its data doesn't represent or reflect any currency exchange rates applied by Revolut. It is, therefore, indeed possible that the exchange rates visible on the said website would be discrepant to the Revolut exchange rates."

Later, in a chat room discussion with a Revolut agent, he says he was told this:

"We use Interbank exchange rates, which are provided also to Investing.com"

At first glance, these comments do seem to contradict each other, but only because neither of them gives the full story. Revolut has since explained that the exchange rates published by that website are the average between the bid rates and the offer rates – known as mid-market rates. Mid-market rates are not used by Revolut for transactions. But the bid rates

and offer rates are interbank rates, which are provided to that website and also, separately, to Revolut. Revolut gets them from a third party, Morningstar, not from investing.com. Revolut's rate for transactions of the kind made by Mr B was the interbank offer rate until the weekend, when the mark-up was added. I accept that explanation, and I think that answers Mr B's point about the comments quoted above.

AML measures

I can deal with the other issues shortly. I have read the messages in which Mr B and Resolut's agent discussed the evidence he needed to provide to pass Resolut's AML checks. Nowhere did the agent actually ask him for 15 years' worth of payslips or tax receipts. She only asked for three months' worth. Initially, the evidence Mr B provided was not enough to persuade Resolut to increase his limit. So the agent sent him the following message (on 12 September 2017 at 19:46). (I have redacted his former occupation to preserve his anonymity.)

"On the basis of provided documents, we can't increase the limit. We will need to see statements from your saving account with a balance and your name on it. You also need to provide us with P60/tax receipts for the time you worked as a [former occupation]."

Mr B had worked in his old job for 15 years, so he interpreted this as a request for payslips or tax receipts for the whole 15 year period. But that's not what the agent said. I think she just meant three months' worth from the time he held that job. I am reinforced in my opinion by the fact that when Mr B provided the payslips in a format that Revolut couldn't open, Revolut asked him to provide three monthly payslips from the period June 2013 to May 2014. 12 hours after that, Resolut increased his limit. So I think this matter resulted from a genuine misunderstanding, and that once three payslips were provided in a format that Resolut could read, the matter was resolved in a timely manner.

card payments

I have seen no evidence that the card payments which were blocked were blocked as a result of an error by Resolut. So I accept Resolut's explanation for the blocks. However, the fact that some payments which were not processed by the merchants were not automatically refunded after 30 days is clearly Resolut's error, and Resolut admitted as much when Mr B complained. It should not have been necessary for Mr B to have to contact Resolut to ask for those payments to be refunded. Nevertheless, as soon as Mr B asked for them to be refunded they were refunded without delay – within three and a half minutes. So I think Resolut's apology and refund of his monthly subscription fee was fair compensation for that.

speculation / arbitrage

There has currently been no impact on Mr B caused by Resolut reminding him that its terms and conditions prohibit currency speculation on a personal account. His account has not been suspended, nor has Resolut threatened to suspend it. But I appreciate that he is concerned about inadvertently contravening this rule by mistake, because he does not think the rule is clear.

It's true that the terms and conditions do not give a precise definition of the prohibited conduct, or a specific, certain number of transactions which are permitted, which may not be exceeded. But they don't have to: the terms and conditions are not a criminal code. Instead, the boundary between what is acceptable and what is not is a grey area, to allow for some

flexibility of interpretation in light of the facts of each case. Mr B hasn't broken the rules yet, as far as Resolut knows, but if he is concerned about this being a risk in the future then I would recommend that he opens a business account.

I wish I could be more helpful than that, but it is not within my remit to consider a hypothetical scenario that has not yet come to pass – i.e., whether Resolut would be right or wrong to suspend Mr B's account based on his current or recent volume of transactions, when resolute has taken no such action. That question will have to be decided in a future complaint, if such a thing comes to pass.

my final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 11 June 2020.

Richard Wood
ombudsman