

The complaint

Mr C complains that Revolut Ltd won't refund money he lost to a scam.

What happened

Mr C fell victim to a cryptocurrency investment scam. After first investing money from his current account at a different financial institution, he was persuaded to open a Revolut account and invest a further £5,000. That payment was made by card to a genuine cryptocurrency provider.

When he discovered that the recipient of that payment wasn't the business he was expecting to pay (and one that he hadn't heard of before) he reported the matter to Revolut through its in-app chat service. A discussion took place about whether the transaction could be disputed through the chargeback scheme, but Mr C seems to have had technical difficulties using the app and a chargeback claim was never raised.

He contacted Revolut through the chat service on several other occasions, sometimes reporting limitations on his account and asking it to allow him to make further transactions. Mr C did make other cryptocurrency related payments from his Revolut account, but he hasn't disputed these. I asked Mr C's representatives about these payments and, while they confirmed that they also relate to the fraud, I'm not particularly clear how or why they weren't disputed along with the £5,000 payment. But, as they were not, I won't be able to comment on the other payments further and Mr C will need to raise this as a separate matter, if he wishes to do so.

In August 2022, Mr C's representatives wrote to Revolut to complain. They said that Revolut ought to have considered the transaction which debited Mr C's account to be suspicious due to the fact the account was new and the recipient was involved in cryptocurrency. So, it should have contacted him before allowing the payment to proceed. Had it done so, they argued, Mr C wouldn't have gone ahead with the payment and wouldn't have lost money to the fraud.

Revolut said that it hadn't been provided with enough information about what happened to assess the complaint. Later, it said it wasn't at fault as it had processed the payment in line with its obligations, Mr C hadn't carried out sufficient checks and shouldn't have given over his details to a third party.

Mr C referred the matter to our service but one of our Investigators didn't uphold his complaint. They were satisfied that Mr C had authorised the payment in dispute and didn't think that Revolut ought to have been unduly concerned about the risk of fraud.

Mr C didn't agree, so the case was passed to me for a 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.

The starting position under the relevant regulations, the Payment Services Regulations 2017 ("PSR 2017"), is that Mr C is responsible for payments he's authorised himself. Though Mr C says he didn't recognise the recipient of the payment here, he seems to accept authorising the fraudsters to make a payment of £5,000 on his behalf. So, for the purposes of the PSR 2017, I must consider the transaction to be authorised, even if Mr C wasn't aware of where the payment was going.

As set out, there appears to have been some discussion around whether a chargeback could be raised for this particular transaction. But, regardless of why that chargeback wasn't raised, I can't see that it would have had any chance of success. The recipient was a genuine cryptocurrency provider and would only need to show that it provided a service (that of providing fiat or cryptocurrency) in order to successfully defend the chargeback. That seems very likely to be the case, so even if Revolut had all the information it required in order to raise a chargeback, I don't think it would have made a mistake by not doing so.

So, I'm left to consider whether, taking into account regulators' rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, Revolut should have identified the transaction as particularly suspicious, such that some form of intervention ought to have taken place before the transaction was allowed to debit Mr C's account.

Where a firm like Revolut does have grounds to be concerned about a payment, I think it should reasonably take steps to warn its customer about the risk of proceeding. Whether a warning should be provided (and, if it should, the nature and extent of that warning) should be proportionate to the risk the payment presents and strike a balance between trying to protect customers and not unduly inconveniencing them. I must also take into account that applying significant friction to all payments would be very onerous and impractical for Revolut.

Revolut did not have a previous customer relationship with Mr C. It did not know his typical spending patterns. But that doesn't mean it wasn't in a position to recognise suspicious activity – only that the information it had on which to make that assessment was limited.

I've thought about what Revolut did know about Mr C when he came to make the first payment. That information was fairly limited. It knew his personal details, that he stated the reason for opening the account was to 'gain exposure to financial assets', that his account was new and that he was paying a cryptocurrency provider.

Mr C's representatives argue that the activity Mr C carried out was, in and of itself, typical of fraud: the opening of a new account, the deposit of funds and a payment to a cryptocurrency provider. But I don't find it surprising that a customer would open a Revolut account and use it immediately for a specific purpose. And, given that customers of Revolut can purchase and trade cryptocurrency through its application, it's likely that many customers will open Revolut accounts in order to purchase cryptocurrency. So, I don't find that this pattern of activity is necessarily indicative of fraud. And when considering whether a payment should trigger an intervention, at the time this payment was made, I think it was fair for Revolut to take into account a range of factors, not just that the payments were going to a cryptocurrency provider.

I can't see any reason for Revolut to be particularly concerned about Mr C's account prior to this payment being attempted, particularly given that the account opening reason and nature of the payment appear consistent. I've also thought about Mr C's age. While I accept that it put him into a group which is considered to be more likely to be vulnerable, I consider this to

be just one of a number of factors that Revolut should fairly take into account when deciding whether a payment presents heightened risk.

Taking all of the above into account, I think Revolut should have given a general warning here – one that attempts to address various fraud risks at a fairly high level. But, even if it had done, I can't reasonably conclude that this is likely to have prevented the loss Mr C suffered – given the relatively sophisticated nature of the scam and the difficulty of providing a general warning that would be sufficiently tailored to Mr C's circumstances. And though such a warning might have drawn his attention to the identity of the payee, in the context of an investment scam where Mr C always intended to invest the amount of the payment, it seems likely the fraudsters would have been able to persuade Mr C that the payment was necessary and legitimate.

Overall, I can't see that there was sufficiently concerning information about this payment that Revolut ought to have provided a more specific warning or have a human interaction with Mr C. So, while I know this will be disappointing for Mr C, I don't find that Revolut are responsible for his loss.

My final decision

For the reasons I've explained, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 31 August 2023.

Rich Drury
Ombudsman