

The complaint

Mr S complains that Revolut Ltd didn't do enough to protect him from the financial harm caused by an investment scam, or to help him recover the money once he'd reported the scam to it.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

In August 2022, Mr S saw an advert on social media regarding an opportunity to invest with a company I'll refer to as "M". The advert claimed M could make instant profits from a small investment in cryptocurrency.

Mr S registered his details online and received a call from someone who I'll refer to as "the scammer". The scammer, who seemed professional and knowledgeable, directed Mr S to a professional looking trading platform and helped him to open a trading account, providing log in details and a password for him to quote each time they spoke. The scammer said he had a lot of investment experience and that he'd been working in finance for a number of years. He told Mr S to open an account with a cryptocurrency exchange company I'll refer to as "B" and to first purchase cryptocurrency through B and then load it onto an online wallet.

Mr S made the initial payments from Bank F and was able to see his balance grow on the trading platform. He also received some withdrawals. In September 2022, he opened an account with Revolut on the understanding it would be a quicker way to send money to his trading account. Between 3 September 2022 and 6 September 2022, he made three payments to B from his Revolut account for £15,000, £11,640 and £11,500, on the understanding he was paying fees required to withdraw his funds from the trading account.

Mr S realised he'd been scammed when Revolut blocked a payment. He complained to Revolut with the assistance of a representative who argued it had failed to question the payments or provide effective scam warnings. But it refused to refund any of the money, explaining it hadn't raised a chargeback request because Mr S had failed to submit any chargeback forms.

Mr S wasn't satisfied and so he complained to this service with the assistance of a representative. He argued it should have contacted him to ask questions and provide advice about the risk of fraud and had it done so he would have realised sooner that he was falling victim to a scam. He said he wanted it to refund the money he'd lost and pay him compensation and any legal costs.

Mr S's representative said Revolut should have intervened as he made three payments to a new payee linked to cryptocurrency. They said the account was newly opened and the rapid movement of funds into the account was indicative of a scam. They explained that on 2 September 2022, Mr S received £15,000 into the account and forwarded it to the scam within 24 hours. And on 6 October 2022 he received £11,409.03 and £11,500.00 before transferring it to the scam.

They argued the payment Mr S made on 3 September 2022 was high value and the fact the payee was B meant Revolut should have been on notice that the payment was possibly fraudulent. Consequently, it should have intervened sooner, and its failure to do so represented a missed opportunity to prevent the scam.

They said Revolut ought to have contacted Mr S on 3 September 2022 and asked him why he was making the payment, who he was trading with, how he found out about the company, whether he'd done any research, whether he'd checked the Financial Conduct Authority ("FCA") website, whether he'd been promised unrealistic returns, whether he'd received any withdrawals and whether he'd discussed the investment with anyone. They said Mr S hadn't been prompted to give false answers and so he'd have said he found out about the investment via social media. With that information, Revolut would have identified that he was being scammed and advised him about the risks involved with cryptocurrency investments, in particular those found via social media platforms.

Our investigator didn't think the complaint should be upheld. She explained there wasn't a realistic chance of a successful chargeback because Mr S had paid B, who had provided the service it was required to provide. He wasn't entitled to any compensation or legal costs because the main cause of the upset was the scammers who had persuaded Mr S to part with his funds. And she hadn't found any errors or delays in Revolut's investigation.

She thought that even though this was a new account which Mr S had said was to gain exposure to financial assets, Revolut should have intervened when he made the first payment of £15,000. However she didn't think this would have made a difference because Mr S had opened the Revolut account and made payments to the scam having been prevented from making any further payments to B by Bank F.

She noted that when the payment was declined by Revolut on 7 October 2022, Mr S mentioned M and disclosed that he had AnyDesk installed on his device. He also said he'd seen negative reviews online about M being a scam. Yet on 11 October 2022, he attempted to make a further payment of £6,500 from Bank F. In the call he had with Bank F that day, Mr S said he was back in contact with the scammer and was willing to lose a further £6,500 in order to potentially gain a lot of money back.

Bank F had also intervened on 22 June 2022. On that occasion Mr S was asked about purpose for the payment and given a scam warning. He said he knew about the potential scams but had already invested and received returns. Based on what took place during these calls, our investigator felt it wouldn't have made a difference to the outcome if Revolut had intervened on 3 September 2022.

Mr S has asked for the complaint to be reviewed by an Ombudsman, suggesting Revolut should refund the money Mr S lost from the first payment onwards with a reduction of 50% for contributory negligence. His representative has argued that Mr S didn't have a history of investing on his account and the value of the payments was significant. They have said Bank F's intervention on 22 June 2022 wasn't sufficient and if Revolut had intervened on 3 September 2022, Mr S would have answered questions honestly and there would have been enough grounds to enact the banking protocol.

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.

Having done so, I've reached the same conclusion as our investigator. And for largely the same reasons.

I've thought about whether Revolut could have done more to recover Mr S's payments when he reported the scam to it. Chargeback is a voluntary scheme run by Visa whereby it will ultimately arbitrate on a dispute between the merchant and customer if it cannot be resolved between them after two 'presentments'. Such arbitration is subject to the rules of the scheme — so there are limited grounds on which a chargeback can succeed. Our role in such cases is not to second-guess Visa's arbitration decision or scheme rules, but to determine whether the regulated card issuer (i.e. Revolut) acted fairly and reasonably when presenting (or choosing not to present) a chargeback on behalf of its cardholder (Mr S).

Mr S's own testimony supports that he used cryptocurrency exchanges to facilitate the transfers to B. It's only possible to make a chargeback claim to the merchant that received the disputed payments. It's most likely that the cryptocurrency exchanges would have been able to evidence they'd done what was asked of them. That is, in exchange for Mr S's payments, they converted and sent an amount of cryptocurrency to the wallet address provided. So, any chargeback was destined fail, therefore I'm satisfied that Revolut's decision not to raise a chargeback request against either of the cryptocurrency exchange companies was fair.

I'm also satisfied Mr S 'authorised' the payments for the purposes of the of the Payment Services Regulations 2017 ('the Regulations'), in force at the time. So, although he didn't intend the money to go to scammers, under the Regulations, and under the terms and conditions of his bank account, Mr S is presumed liable for the loss in the first instance.

There's no dispute that there was a scam, but although Mr S didn't intend his money to go to scammers, he did authorise the disputed payments. Revolut is expected to process payments and withdrawals that a customer authorises it to make, but where the customer has been the victim of a scam, it may sometimes be fair and reasonable for the bank to reimburse them even though they authorised the payment.

Prevention

Revolut is an emoney/money remittance provider and at the time these events took place it wasn't subject to all of the same rules, regulations and best practice that applied to banks and building societies. But it was subject to the FCA's Principles for Businesses and BCBS 2 and owed a duty of care to protect its customers against the risk of fraud and scams so far as reasonably possible.

I've thought about whether Revolut could have done more to prevent the scam from occurring altogether. Buying cryptocurrency is a legitimate activity and from the evidence I've seen, the payments were made to a genuine cryptocurrency exchange company. However, Revolut ought to fairly and reasonably be alert to fraud and scams and these payments were part of a wider scam, so I need to consider whether it ought to have intervened to warn Mr S when he tried to make the payments. If there are unusual or suspicious payments on an account, I'd expect Revolut to intervene with a view to protecting Mr S from financial harm due to fraud.

I've considered the nature of the payments in the context of whether they were unusual or uncharacteristic of how Mr S normally ran his account. The final payment on 7 October 2022 flagged on Revolut's systems but based on the value of the payment and the fact Mr S was paying a high-risk cryptocurrency merchant from a new account, I think it ought to have intervened when Mr S made the first payment of £15,000.

It should have contacted Mr S either by phone or via its live chat facility and asked him questions around the purpose of the payment, whether there was a third party involved and if so how he'd met the third party, whether he'd been advised to download remote access software to his device, whether he'd made any withdrawals, whether he'd been promised unrealistic returns and whether he'd been advised to make an onwards payment from B.

Had it done so, based on the answers he gave in other interactions he had with Revolut and Bank F, I'm satisfied Mr S would have told the truth about the circumstances of the payments and that he'd have given Revolut enough information to identify that he was being scammed.

I would then expect Revolut to have provided a tailored warning and to have discussed with Mr S the nature of the checks he'd undertaken and to give some advice on additional due diligence. However, in the live chat conversation on 7 October 2022, Mr S said he needed to transfer the funds to B or he would lose \$140,000. He also said that if he was being scammed, he wanted Revolut to raise a chargeback request as he had seen reports on the internet that M was a scam company. And further down the chat he confirmed that the transactions were made to a scam.

Unfortunately, even though he knew (or reasonably suspected) that M was operating a scam, Mr S tried to make a further payment of £6,500 from Bank F on 11 October 2022. That payment was blocked and in the subsequent call, he said he was willing to lose £6,500 to potentially gain his money back. Further, in a call with Bank F on 22 June 2022, Mr S was given a scam warning and he said he'd received returns from his investment and was satisfied he wasn't being scammed.

Based on what took place during the three interactions, I agree that even if Revolut had intervened on 3 September 2022, any warnings and advice it could have given were unlikely to have made a difference to Mr S's decision to go ahead with the payments. His actions on 11 October 2022 demonstrate that even when he knew the investment was a scam, he was determined to make further payments in an effort to secure his profits and there was very little Revolut could have done to change that. So while I agree that it ought to have intervened sooner than it did, I don't think that represented a missed an opportunity to prevent Mr S's loss.

I'm sorry to hear Mr S has lost money and the effect this has had on him. But for the reasons I've explained, I don't think Revolut is to blame for this and so I can't fairly tell it to do anything further to resolve this complaint.

Compensation

Mr S isn't entitled to any compensation or legal costs.

My final decision

For the reasons I've outlined above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 25 March 2024.

Carolyn Bonnell
Ombudsman