

The complaint

Mrs M, director of E (a limited company) is unhappy Revolut Ltd won't reimburse E for the money it lost when she fell victim to a scam.

What happened

Mrs M (on behalf of E) is represented in this complaint by a solicitor, for simplicity I will refer to Mrs M throughout this decision, even when referencing what those representatives have said on her and E's behalf.

Mrs M fell victim to a safe account scam. After her details were compromised via a phishing text, Mrs M was contacted by individuals claiming to be from Revolut. Mrs M says she was told there had been an attempt at fraud on E's Revolut account, and that she needed to transfer E's money to various other accounts so it could be moved to a safe account. Unfortunately, and unknown to her at the time, Mrs M was actually speaking with fraudsters. But believing that she was genuinely dealing with Revolut, Mrs M ended up making 12 payments to various accounts with two beneficiary banks.

After making these payments, Mrs M contacted Revolut directly and realised she had been the victim of a scam. Revolut logged the fraud and contacted the banks the funds had been sent to, to see if any funds remained that could be recovered. Ultimately though, while it was able to recover a small amount from one of the recipient banks, Revolut told Mrs M that it wouldn't be reimbursing E for the payments made from its account.

Unhappy, Mrs M referred the matter to our service. One of our Investigators looked into the complaint. Overall, they considered that while Mrs M had authorised the transfers (albeit as a result of a scam) Revolut should have done more to intervene when the third payment was made, given the pattern that was being established. They felt Revolut should have contacted Mrs M directly, rather than relying on any written warnings it had provided. It was our Investigator's view that, had Revolut done so, it was more likely than not the scam would've unravelled, and part of the loss would've been prevented.

Our Investigator also considered that Mrs M – on behalf of E – wasn't partly to blame and shouldn't bear any responsibility for the loss. Our Investigator recommended Revolut refund E's loss from the third payment onwards, plus interest

Revolut accepted the Investigator's findings, but Mrs M did not. She maintains that the second payment, which was the highest of the 12 payments made, was unusual enough that Revolut should have stepped in to ask more questions before allowing it to be made.

As no agreement could be reached, the case has now been passed to me for a 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.

Having done so I've reached the same conclusions as our Investigator, and for the same reasons.

It's not disputed that Mrs M, on behalf of E, authorised the payments that are in dispute here. So as per the Payment Service Regulations 2017 (which are the relevant regulations in place) that means E is responsible for them. That remains the case even though Mrs M was the unfortunate victim of a scam.

Because of this, E is not automatically entitled to a refund. But the regulatory landscape, along with good industry practice, also sets out a requirement for account providers to protect their customers from fraud and financial harm. And this includes monitoring accounts to look out for activity that might suggest a customer was at risk of financial harm, intervening in unusual or out of character transactions and trying to prevent customers falling victims to scams.

Taking the above into consideration, I need to decide whether Revolut acted fairly and reasonably in its dealings with E, or whether it should have done more than it did.

There was regular activity on E's account for the months in the run up to the scam, and E did regularly make large payments out to both other businesses and to private individuals. The first payment Mrs M made to the scammer was for only £100, and I would not expect that to have been flagged for further checks. The second payment Mrs M made, to the same payee as the first payment, was for £24,750. This was a relatively large payment, but given the way that E's account generally operated, I don't think it was unusual enough to have flagged to Revolut as potentially suspicious. For example, E had made a payment of over €32,000 around 10 days previous, and had made further payments of £10,800 and £15,000 in the days before the scam took place. I appreciate these later two payments were lower, but they form part of a pattern of E making large payments, and with this pattern in mind I don't think the second payment – for £24,750 – should have flagged as unusual to Revolut.

The third payment Mrs M made was again for a small amount – £80 – but was to another new payee, and Revolut has confirmed that when Mrs M made this payment – which she thought was going to another account in her name – the confirmation of payee warning was triggered. Given the previous activity, that this was another payment in a short period to a new payee, and that Revolut's systems had identified that the name of the account did not match what Mrs M had input, I do not think that this activity, taken as a whole, was usual for E's account. I think the activity was unusual enough that Revolut ought to have been alerted to the possibility of financial harm and intervened at this stage.

Considering the nature of the scam, I think a conversation about what the payment was for would have quickly revealed the scam and prevented the third payment – and then any further payments – from being made. Mrs M doesn't appear to have been given a cover story to use by the scammer, and she already thought she was talking to Revolut, so if she'd been unable to progress with making a payment until she'd been forced to speak to the real Revolut, then I think she'd have been open and honest about what was happening. With this in mind, I think it would be reasonable for Revolut to refund the payments made from the third payment onwards (inclusive), as I consider those payments could have been prevented.

I've thought about whether E should bear some responsibility for its loss by way of contributory negligence, but I don't think it should. Mrs M fell victim to a sophisticated scam, and in the circumstances of the scam – including the real fear that she might lose a significant amount of E's money – I can understand why the fraud went undetected by Mrs M.

With the benefit of hindsight, there may have been some 'red flags' (for example the mismatch in the confirmation of payee) that Mrs M could've picked up on, particularly if she'd had more time to think. But the scam took place over a relatively short period of time and in a pressured situation. This is of course a deliberate tactic by the fraudsters to create fear – in the hope it would disrupt Mrs M's thinking and make her more compliant. On balance, I'm satisfied that in the circumstances Mrs M's actions were not unreasonable.

I have also considered if Revolut did enough to try to recover E's money once Mrs M had told it of the scam. I agree with our Investigator's findings that it appears there was a delay on Revolut's end in reporting the scam to the beneficiary banks, but I'm also satisfied that this delay is unlikely to have affected the amount that Revolut was able to recover from those beneficiaries. We've seen evidence from one of the beneficiary banks (the one that the first two payments were made to) that the funds were removed from the recipient accounts very quickly – as I would expect in a scam of this type – and I consider it more likely than not that funds were removed from the accounts with the other beneficiary bank just as quickly. And, in any case, I consider that all the payments made to the second beneficiary bank could have been prevented by Revolut, so what might have happened regarding recovery of those sums is no longer relevant to the outcome of this complaint.

Putting things right

To resolve this complaint Revolut should:

- Refund the disputed payments from the third payment onwards (inclusive) – minus any funds already recovered
- Pay 8% simple interest on that amount from 21 August 2022 to the date of settlement.

My final decision

I uphold this complaint. Revolut Ltd should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask E to accept or reject my decision before 16 November 2023.

Sophie Mitchell
Ombudsman