

The complaint

Mr Z complains that Revolut Ltd ('Revolut') won't refund the money he lost in a scam.

What happened

Mr Z is represented in this case but for ease I'll refer to Mr Z throughout this decision.

Mr Z says that he saw an advertisement for a company I'll refer to as L on social media. L offered investment opportunities. Mr Z registered his interest and shortly afterwards received a call from a broker at L. The broker told Mr Z he could start by investing a small amount, could make money instantly and would eventually be in a position where he could pay off his mortgage. Mr Z was told that L was based abroad but also had an office in London.

Mr Z was sent a link to L's website, and he thought it looked professional. He was also able to find information in other languages including Mr Z's native language. The website showed graphs and L's contact details. Mr Z says he also looked up L and didn't find any negative reviews.

The advisor helped Mr Z to open a trading account and he was required to provide personal information and identification. He was also given help to open an account with Revolut and a cryptocurrency exchange. Mr Z was told that once his account was verified, he'd be given an account manager. The account manager then called him, and Mr Z made his first payment of £195 by card. After he'd made the payment, he could see it in his trading account. The account manager assigned to Mr Z kept in regular contact with him by phone and explained the trades that were being made on his behalf.

Mr Z thinks he made around 500USD from this initial payment which encouraged him to deposit more, and Mr Z was told that he'd receive higher profits if he did so. I have listed in the table below all the payments Mr Z made.

Date	Amount	Recipient and method
10/12/21	£195	1 - card
24/12/21	£4,000	2 - transfer
05/01/22	£3,000	2- transfer
12/01/22	£10,000	2 - transfer
25/01/22	£16,000	2 - transfer
31/01/22	£7,000	2 - transfer
01/02/22	£9,960	3 - card
04/02/22	£11,300	3 - card
TOTAL	£61,455	

By around February 2022 Mr Z says he had a profit of around 115,000USD which he wanted to withdraw. Mr Z was told that in order to do so he needed to pay taxes. Mr Z took out another loan and tried to pay £9,965 to his account at the cryptocurrency exchange but it bounced back because the exchange wanted

proof of income information. Mr Z was persuaded to open an account with a different provider and the payment was made. Mr Z made this payment and was then asked for still

more funds to exchange cryptocurrency to Euros. At this stage he questioned the account manager, who told him he was following the rules set out by the exchange. Mr Z contacted the exchange and was told it was likely he'd been scammed. He got in touch with Revolut.

Revolut say that in mid-February 2022 it contacted Mr Z for some information. Mr Z responded on 17 March and said he was the victim of a scam. Revolut asked some questions that Mr Z didn't respond so Revolut said it couldn't complete an investigation. Mr Z's representative then complained in June 2022. In its response Revolut asked for more information but said that based on what had been provided it wasn't upholding the complaint.

Mr Z was unhappy with Revolut's response and brought a complaint to this service. He asked for a full refund and for his representative's fees to be paid.

Our investigation so far

The investigator who considered Mr Z's complaint communicated with Revolut and as a result, Revolut offered to refund Mr Z half of his total loss. This offer was put to Mr Z who asked if Revolut would consider reducing Mr Z's share of liability to 25%. This was because Mr Z saw the advert on a social media site he thought had been vetted, saw good reviews of L, noted that the address given by L's advisors matched what he found and didn't know of any other research he could complete.

The investigator then issued a view which said she didn't think Revolut's offer was fair and Revolut should refund the payments Mr Z made prior to February 2022 in full and 50% of transfers after that. They felt that there should be no deduction for the early payments for a number of reasons including:

- L's website looked professional and showed information in multiple languages.
- L had multiple offices, which Mr Z checked online.
- L followed know your customer procedures (KYC) and provided paperwork.
- Although the rate of return was high Mr Z was an inexperienced investor and had seen online that cryptocurrency could bring high returns.

From February 2022 though, Mr Z made payments for tax to release his funds and there were enough red flags that he ought reasonably to have been concerned about making the payments.

Mr Z accepted the investigator's findings, but Revolut did not. In summary, it said:

- Mr Z should be held partly responsible for his loss from the beginning.
- There's no evidence Mr Z checked L's offices online and as the company didn't exist, he'd have been unable to find such evidence.
- Mr Z's profits doubled or tripled in days meaning the deal was too good to be true.
- Mr Z didn't complete any research before agreeing to send over £60,000 to L. Although he said he'd checked L online, Revolut couldn't find any websites that mentioned L at the time Mr Z made the first payment.
- Not everything on social media is true and this is widely known.
- Following a KYC process and providing information in different languages doesn't mean a company is legitimate and relying on these factors doesn't mean Mr Z isn't partly responsible for his loss.
- Revolut didn't understand why Mr Z wasn't being held responsible from the beginning.

The complaint was passed to me to consider. I issued a provisional decision on 26 September 2023. In the "*What I've provisionally decided – and why*" section of my provisional decision I said:

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

In broad terms, the starting position in law is that an account provider is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the customer's account. A customer will then be responsible for those transactions that they have authorised.

It's not in dispute here that Mr Z authorised the payments. So while I recognise that he didn't intend the money to go to scammers, the starting position in law is that Revolut was obliged to follow his instructions and process the payments. Mr Z isn't automatically entitled to a refund.

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 victim to scams. So, I've also thought about whether Revolut did enough to try to keep Mr Z's account safe.

The first payment Mr Z made was a card payment that wasn't unusual. I wouldn't have expected Revolut to have any concerns about it. The next two payments (£4,000 and £3,000) weren't for what I'd consider to be particularly large amounts. Mr Z opened the account specifically to make these payments, so there wasn't any previous account activity for Revolut to compare the payment to. In any event, Revolut provided an on-screen warning when Mr Z set up the new payee on 24 December 2021 which said,

"Suspicious transfer detected

Our system has flagged this payment as a potential scam. Are you sure you want to proceed? Please note, if you proceed with authorising the payment we may not be able to recover your money afterwards."

Taking all this into account, I think Revolut acted reasonably in allowing these first two payments to be processed.

I think the position changed when Mr Z made a payment for £10,000 on 12 January 2022 though. This represented a significant increase from previous payments and was to an exchange known to provide cryptocurrency. There was also a pattern of increasing payments which is common to scams of this nature. Revolut say it didn't intervene after the first payment was made when a warning was given because its system established the legitimate exchange as an existing payee so it would have been difficult to identify anything unusual. But I think Revolut needed to go further and at the very least provide a more tailored warning that set out the common features of cryptocurrency scams and how to avoid falling victim to them – as well as giving Mr Z access to advice from a specialist.

I also note that Revolut told this service Mr Z said the reason for opening the account was to spend while travelling. It was clear by this stage that Mr Z wasn't using his account for the stated purpose and a common scam pattern was emerging with an initial small card payment and transactions increasing in value over time.

I consider Mr Z would have taken additional steps before making further payments had appropriate intervention taken place. He has told us that he took out loans to fund this investment so would have been more cautious given the implications of paying these funds back. There were lots of red flags here too, so had Revolut brought the scam to life I'm

persuaded Mr Z would have recognised them. After all, he heard about the investment on social media, thought he was making exceptional returns, had no contract to set out what was agreed between him and L and L wasn't authorised.

Given that I'm satisfied the £10,000 loss could have been prevented it follows that Revolut has some liability for this payment and all future payments. I have gone on to consider whether Mr Z should be held partially responsible for his loss. After considering the position carefully I'm persuaded that he should and will explain why.

- *Mr Z found the investment opportunity on a social networking site so should have approached the opportunity with a degree of caution.*
- *Mr Z only accessed L's website via a link provided by scammer. L actually had no online presence, and this would have been apparent if Mr Z searched for L.*
- *I haven't found any reviews of L that Mr Z might have seen at the time he invested. So, whilst this means there were no negative reviews of L, I don't think Mr Z ought reasonably to have been reassured of L's existence and legitimacy. I think the lack of any reference to L ought to have been very concerning.*
- *The rates of return offered and shown on L's website were too good to be true. Given this, even as an inexperienced investor, I think Mr Z ought to have taken additional steps to ensure L was legitimate.*
- *Mr Z wasn't provided with terms and conditions as would be expected from a genuine business. The only documentation Mr Z was provided with before he made any transfers is an invoice dated 10 December 2021. This refers to a charge of €6,396 that needs to be paid before 11 February 2022 to receive a payout of €60,000. This doesn't tie in with the other information about this scam. There are also some concerning factors about the invoice. It discusses the current bitcoin rate on 2 July 2022 – which is well after the date of the invoice.*
- *Mr Z's representative says that Mr Z checked the address of L given on its website. I'm uncertain what checks were completed or how this reassured Mr Z.*
- *The emails from L that Mr Z has provided don't show a logo, contact details or any form of disclaimer so don't look like they are from a genuine business.*

When considered together, these factors lead me to conclude Mr Z should share the responsibility for his loss.

I've considered whether Revolut could have done more to recover Mr Z's lost funds but don't think it could. Chargeback wouldn't have been successful in respect of the card payments to the genuine exchanges. Revolut also couldn't recover the lost funds that were transferred from Mr Z's Revolut account as they were passed through an exchange that provided the service Mr Z expected.

Overall, whilst I'm really sorry to hear about this cruel scam and of the impact it has had on Mr Z, I can't fairly ask Revolut to do more than refund 50% of Mr Z's loss from the payment of £10,000 onwards, plus interest as set out below. If Revolut is still prepared to offer 50% of Mr Z's total loss it should let me know in its response to this provisional decision."

Mr Z and Revolut both responded to say they agree with my provisional findings.

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.

As both parties accepted my provisional findings (as set out above) and neither has raised any points for me to consider I see no reason to depart from it. As I have set out my decision above, I won't repeat it here.

My final decision

I require Revolut Ltd to:

- Refund £27,130;
- Pay interest on the above amount at the rate of 8% simple per year from the date of each transaction to the date of settlement.

If Revolut Ltd considers it is required by HM Revenue and Customs to take income tax from the 8% simple interest award, it should tell Mr Z how much it has taken off. It should also give Mr Z a certificate showing this if asked for one, so he can reclaim tax from HM Revenue and Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Z to accept or reject my decision before 14 November 2023.

Jay Hadfield
Ombudsman