

The complaint

Mr J complains that Revolut Ltd didn't do enough to protect him from the financial harm caused by an investment scam company, 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.

Mr J came into contact with a broker working for a company I'll refer to as "E". The broker advised him to download AnyDesk software to his device and to purchase cryptocurrency through a cryptocurrency exchange company and then load it onto an online wallet. Between 2 February 2023 and 17 April 2023, he made nine payments totalling £4,145.55 using a debit card connected to his Revolut account.

Mr J was able to make a small withdrawal on 21 March 2023, but he realised he'd been the victim of a scam when he tried to make a withdrawal and the broker asked for more money and eventually blocked him. He contacted Revolut in the app on 17 April 2023 and raised a chargeback claim. But it refused to refund any of the money, and it said it attempted to recover the funds from the recipient account within 24 hours of the report, but the attempt was unsuccessful.

It said that by choosing to proceed with the payments, Mr J had confirmed he was the owner of the cryptocurrency address, so it wasn't liable for any foreseeable loss. It also said Mr J was told the transactions were irreversible and in proceeding with the transactions, he had agreed to its terms. And the transactions occurred over several months, which normalised the activity. Finally, it said it had no chargeback rights as the service was provided by the merchant.

Mr J wasn't satisfied and so he complained to this service. He explained the financial implications of the scam had a significant impact on his well-being and mental health, leading to insomnia, weight loss and depression. And he argued Revolut should have intervened due to the unusual and recurring pattern of the payments, which would have prompted suspicion and saved him from financial loss.

Revolut said Mr J's account had only been open for three months and most of the payments were to a well-known cryptocurrency exchange platform. It said he was adding funds to his own cryptocurrency account, there were no payments from Revolut to the scammers, and there was no possibility of a successful chargeback request because the cryptocurrency exchange had provided the service it was required to provide.

It explained Revolut is an Electronic Money Institute ("EMI"), and it is typically used to facilitate payments to cryptocurrency wallets, so the payments weren't out of character with the typical use of an EMI account. It said the sole purpose of the account was to add money and transfer it to other cryptocurrency platforms, and as the account was newly created, there was no information to determine what could be deemed as unusual activity. Finally, it

said the stated the reason for the account was to 'gain exposure to financial assets', so the transactions were in line with what it would expect.

Our investigator didn't think the complaint should be upheld. He noted the account was newly opened, so there was no account activity to compare the payments with. He said the values of the payments weren't significant and they were spread over a period of almost three months, suggesting Mr J wasn't under pressure and had sufficient time to reflect after each payment. And there were sufficient funds available before each payment. He explained it's not uncommon for customers to buy cryptocurrency, and the payments weren't out of character with the typical way an EMI account is used.

He said the first payment of significant value was £2,000 on 17 April 2023, but the payee was no longer a new payee, so he didn't think Revolut needed to intervene. And as Mr J didn't speak to or interact with Revolut at the time of the payment, it didn't miss an opportunity to identify the payment was being made in relation to a scam.

He also said he wouldn't expect Revolut to recover the money as Mr J was paying his own cryptocurrency wallet and the money had already left the account. He agreed there was no prospect of a successful chargeback as the payments were made to a legitimate cryptocurrency exchange and Mr J had received the cryptocurrency. Finally, Mr J wasn't entitled to any compensation as the main perpetrator was the scammer, and Revolut wasn't responsible for his loss.

Mr J has asked for his complaint to be reviewed by an Ombudsman. He said the scammer used AnyDesk to execute the transactions which should have raised red flags, and Revolut's duty of care extends beyond accepting transaction requests and should encompass measures aimed at safeguarding customers from scams.

He has said that on 14 April 2023, he received a loan payment into the account and paid the same amount out three days later leaving £47 remaining in the account, which should have raised suspicion. He has also said Revolut took two hours to respond to his complaint, which caused inconvenience and considerable mental distress, for which he feels he is entitled to compensation.

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'm sorry to hear that Mr J has been the victim of a cruel scam. I know he feels strongly about this complaint, and this will come as a disappointment to him, so I'll explain why.

I've thought about whether Revolut could have done more to recover Mr J'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 J).

Mr J's own testimony supports that he used cryptocurrency exchanges to facilitate the transfers. Its 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 J'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 satisfied Mr J '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 J is presumed liable for the loss in the first instance.

Revolut hasn't disputed that this was a scam, but although Mr J 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

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 had an obligation to 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 J 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 J from financial harm due to fraud.

The payments didn't flag as suspicious on Revolut's systems. I've considered the nature of the payments in the context of whether they were unusual or uncharacteristic of how Mr J normally ran his account, and I don't think they were. All the payments were to a legitimate cryptocurrency exchange, none of them were for particularly large amounts – the largest payment was £2,000 – and even though Mr J had a loan paid into the account during the scam period, they weren't made in quick succession. Further, the nature of the payments was in line with the reason Mr J gave when he opened the account, so the fact he was paying a cryptocurrency merchant wasn't a cause for concern. Therefore, I don't think Revolut missed an opportunity to intervene.

Overall, I'm satisfied Revolut took the correct steps prior to the funds being released – as well as the steps it took after being notified of the potential fraud. I'm sorry to hear Mr J 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.

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 J to accept or reject my decision before 20 December 2023.

Carolyn Bonnell
Ombudsman