

The complaint

Mr G complains that Revolut Ltd won't refund money he lost when he fell victim to a cryptocurrency scam.

Mr G is represented by solicitors in this complaint.

What happened

Mr G says that in May 2023, he was tricked into sending money in connection to what he thought was an investment opportunity. But it turned out to be a scam. Mr G explains that one of his friends started posting a lot about making good returns from investing on their social media, which got him interested in the opportunity as well. He says he didn't know at the time that his friend's social media account had been hacked.

Mr G reached out to the broker his friend had seemingly been posting about and was encouraged to open an account with Revolut to make deposits into his 'investment account'. For some of the deposits, Mr G used his Revolut account to exchange funds ('fiat' currency) into cryptocurrency, which he then withdrew and sent on to his investment account. He also used his Revolut account to send money to a cryptocurrency exchange, where the funds were converted into cryptocurrency before being sent on.

Mr G realised he'd been scammed after his requests to withdraw profits were repeatedly declined and when his friend's social media posts started to change, and he learnt that the account had been hacked. He reported the matter to Revolut but it refused to refund any of the transactions. Unhappy with this, Mr G complained to Revolut that it didn't protect him from financial harm at the time he made the payments. The complaint was subsequently referred to our service.

I issued a jurisdiction decision last month explaining that this service doesn't have the remit to consider Mr G's complaint about the cryptocurrency payments which he sent directly from his Revolut account. But we can consider his complaint about the payments that were made in fiat currency to the cryptocurrency exchange for onward transfer.

This decision solely relates to my consideration of the merits of Mr G's complaint regarding the following fiat transactions from his Revolut account –

Date	Type	Payee	Amount
25 May	Faster payment	Coinbase	£1,970
26 May	Faster payment	Coinbase	£3,940
26 May	Credit	Coinbase	£3,940 (<i>reversal</i>)
26 May	Faster payment	Coinbase	£3,940
27 May	Credit	Coinbase	£3,940 (<i>reversal</i>)
27 May	Faster payment	Coinbase	£3,940 (declined)
28 May	Debit card	Kraken	£3,940
		Total loss	£5,910

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 decided not to uphold it. I realise that Mr G will be disappointed, but I'll explain why I've reached that outcome.

The starting position is that liability for an authorised payment rests with the payer, even when they are duped into making that payment. There's no dispute that Mr G made the above payments using his security credentials, and so they are authorised. But in accordance with the law, regulations and good industry practice, a payment service provider, including an electronic money institution like Revolut, should be on the look-out for and protect its customers against the risk of fraud and scams so far as is reasonably possible. If it fails to act on information which ought reasonably to alert it to potential fraud or financial crime, it might be fair and reasonable to hold it liable for losses incurred by its customer as a result.

Revolut submits that the first transaction (see above table) did flag as suspicious on its fraud detection systems. It says it asked Mr G to select the purpose of the payment from a list of options and displayed a warning based on his response. Mr G selected 'investment' as the payment purpose and we've been provided a screenshot of the relevant warning Revolut says it would have displayed at the time. The warnings states, *"Fraudsters could contact you, or you may see an advertisement online, offering you a fake – but often convincing – investment opportunity to make easy money,"* and *"Legitimate investments will never guarantee profit and won't be arranged over social media. Investment companies will be registered with a regulator, such as the Financial Conduct Authority (FCA) in the UK."*

Given the transaction amount in question and the fact that this was a newly opened account with an electronic money institution, who operate differently in a different regulatory framework and have different FCA permissions to those of a bank or a building society, I'm satisfied that the intervention Revolut carried out in that instance was a proportionate response to the risk identified. One or more of the scenarios set out in the warning applied to Mr G's situation. In the circumstances, I don't consider giving him the option to (1) get advice from one of its agents, (2) read its scam guidance, (3) cancel the payment, or (4) go ahead with it, was unfair or unreasonable.

Revolut states that the next two transactions to the same payee, which were made the following day, were executed without further intervention. Given that the payments were going to a cryptocurrency exchange, I think Revolut ought to have provided a tailored warning like the one it provided at the time of the previous payment. But I don't think a similar intervention, which in my view would have been a proportionate response at these times as well, would have made a difference to Mr G's decision-making seeing as he continued with the earlier payment despite the warning. So, I don't think a missed opportunity at these times would have led to a different outcome.

Looking at the account statement, it seems that the transactions were reversed by the beneficiary on both occasions. From the chat history, I can see Mr G provided Revolut a screenshot of the email which he received from the beneficiary at the time. It says his recent deposit had been declined due to a suspicious activity warning. It's unclear what triggered this warning, but the evidence I've seen shows that Revolut released the funds as per Mr G's instructions. So, I'm not persuaded that the payments were 'rejected' by Revolut as he claims. I also don't think Revolut ought to have been concerned by the reverted payments in the way the investigator has suggested. The issue appears to have arisen once the funds reached the beneficiary, which declined the deposit.

When Mr G authorised a further transaction for the same amount the following day, it was declined. Mr G's account was restricted while Revolut undertook a review of his account. During that time, Revolut didn't make any enquiries of Mr G. It did, however, inform him that the review could take up to two weeks. The review was completed within 24 hours and the restrictions were removed, and Mr G was once again able to make transactions from his account. It was then that he successfully made the final disputed transaction, a card payment for the same amount but to a different cryptocurrency exchange.

The investigator's view was that Revolut ought to have questioned Mr G when it declined the payment and restricted his account, given there were multiple contributing factors. But I don't agree with that view. As I've mentioned above, I don't consider the payment reversals warranted further investigation by Revolut. The evidence shows that it executed Mr G's authorised instructions and didn't stop the payments. On the point of 'account opening purpose', one of the options Mr G selected was 'transfers'. While he may have been sending the disputed payments for the purposes of investing, technically he was making transfers still. So, I'm not persuaded by the investigator's reasons for why they thought Revolut's investigations didn't go far enough.

It's true that the transaction was declined, and Mr G's account was temporarily restricted. And I acknowledge his frustrations when he wasn't getting any answers from Revolut. But based on what I've seen, I'm not satisfied that the review it undertook – which led to the restrictions – was specifically about the transaction in question. In other words, I wouldn't have expected Revolut to have questioned Mr G about the payment or requested additional information in the way the investigator has suggested, given the nature and scope of its review. Once the review was complete, all the restrictions were removed.

For the transaction that was declined, had Revolut not been undertaking a review, I would have only expected it to have provided Mr G a tailored warning much like it did at the time of the first disputed transaction. Much for the same reasons as I've given for the earlier transactions, I'm not convinced a warning would have positively impacted Mr G's decision-making.

The same goes for the last disputed transaction which Mr G made using his debit card. It was for the same amount and going to a cryptocurrency exchange. It isn't clear whether Revolut provided a tailored warning, but that is what I would have expected it to do in the circumstances. And I don't think it would have stopped Mr G from going ahead with the payment.

I've also thought about Revolut's actions in relation to the recovery of payments *after* it became aware of the situation. In relation to the faster payment, given that Mr G transferred the cryptocurrency from his wallet with the cryptocurrency exchange on to the scammer, there wouldn't have been any funds left to recover. Nevertheless, I can see that Revolut contacted the beneficiary and requested a recall. But it didn't hear back.

As for the debit card transaction, the only avenue here would have been a chargeback. Revolut could have only raised a chargeback against the merchant Mr G paid, i.e., the cryptocurrency exchange, not another firm i.e., the scammer. Given the merchant he paid had provided the service (conversion of money into cryptocurrency), it's unlikely that a chargeback would have been successful.

So, overall, I've come to the same overall conclusion as the investigator. I'm not persuaded that any failure on Revolut's part – in this case, the lack of tailored warnings on each occasion – is the proximate cause for Mr G's loss. I fully acknowledge that he's lost a lot of

money. But having considered the matter very carefully, for the reasons given, it wouldn't be fair of me to hold Revolut responsible for his loss.

My final decision

For the reasons given, 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 G to accept or reject my decision before 6 December 2023.

Gagandeep Singh
Ombudsman