

The complaint

Mr K complains that Revolut Ltd won't refund money he lost when he was a victim of two scams.

Mr K is represented by a firm that I'll refer to as 'C'.

What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

In 2022 Mr K came across a firm promoting an investment opportunity on a social media website. After reviewing their website and carrying out some online research, Mr K filled in an online query form, submitting his details. He was contacted by the firm (the scammer) who assisted him, by way of remote desktop software, in opening Revolut and trading accounts. The following payments were then made from Mr K's Revolut account to a legitimate crypto exchange before forwarding on as part of the scam:

Date	Type	Amount
7 October 2022	Debit card transaction	£5,000
19 October 2022	Debit card transaction	£19,995
2 November 2022	Debit card transaction	£10,005
4 November 2022	Debit card transaction	£10,000
7 November 2022	Debit card transaction	£5,000
7 November 2022	Debit card transaction	£5,000
8 November 2022	Debit card transaction	£5,000
15 November 2022	Debit card transaction	£9,998
25 November 2022	Debit card transaction	£10,000
	Total	£79,998

There was also a declined payment of £20,000 on 18 October 2022.

Mr K realised he'd been scammed when, after requesting a withdrawal of funds, the scammer explained that further funds had to be deposited for it to be processed.

After realising he'd been scammed, Mr K sought out additional employment as a way of making up the loss he'd suffered. And he came across an online advertisement promoting a home working opportunity – with the job role requiring rating apps to increase their profile, thereby being advertised and promoted to a larger pool of consumers. From this, Mr K would receive a commission from the sales generated by the apps boosted. And to boost additional products and increase his earnings, Mr K was required to fund his account to access further items – and he made the following payments from his Revolut account to a legitimate crypto exchange as part of the scam:

Date	Type	Amount
10 January 2023	Debit card transaction	£400

11 January 2023	Debit card transaction	£50
11 January 2023	Debit card transaction	£800
11 January 2023	Debit card transaction	£400
11 January 2023	Debit card transaction	£850
12 January 2023	Debit card transaction	£1,280
13 January 2023	Debit card transaction	£2,500
	Total	£6,280

Mr K realised he'd been scammed when the available items grew increasingly expensive and he was unable to fund the account, so he requested a withdrawal of his earnings. The scammer told him a further £2,000 deposit was required which Mr K refused.

Mr K received five credits into his Revolut account – between 30 September 2022 and 14 January 2023 – totalling £1,168.48. And so, his net payments (loss) to the scams totals £85,109.52.

C complained to Revolut, on behalf of Mr K, on 23 May 2023 saying the payments were made as part of two scams. They considered Revolut failed to protect Mr K from the scams by not identifying the above payments as unusual, thereby warranting further investigation before processing them. C said had Revolut made such enquiries, they would've become aware Mr K was falling victim to scams. And upon being appropriately warned of the risks involved, Mr K wouldn't have proceeded with making the payments. Because of this, C wanted Revolut to reimburse Mr K his losses from the scams – along with 8% simple interest and £300 compensation.

Revolut didn't uphold the complaint. They explained all correct procedures were followed on their side. And upon being notified of the scams, they tried to recover Mr K's funds but the chargeback claims were rejected as they wouldn't have been successful under the card scheme's rules – due to the transactions being authorised by Mr K and authenticated via 3DS authentication.

The complaint was referred to the Financial Ombudsman. Our Investigator didn't however think Revolut had to do anything further. In short, he said:

- He thought Mr K's account activity was unusual, as did Revolut by blocking the £20,000 payment pending further review. But while Revolut explained to Mr K – via their in-app chat – that the account was restricted during their review, they didn't question Mr K or provide any scam warnings about the payment before removing the restrictions.
- While he would've expected Revolut to have done this to satisfy themselves Mr K wasn't falling victim to a scam, even if they had, he didn't think it would've made a difference or prevented the payments from being made.
- This was because Mr K confirmed he gave the scammer control of his Revolut account, and they dealt with Revolut via their in-app chat regarding the account restrictions. So, any questions asked by Revolut about the payments would've been answered by the scammer – who would've given misleading answers which, in turn, would've reassured Revolut Mr K wasn't falling victim to a scam.
- Regardless of the questions Revolut could've asked Mr K, it wouldn't have been Mr K answering them.
- It wasn't for us to tell Revolut how to contact their customers and their terms and conditions allow them to use their in-app chat. It's also a secure method of communicating as it requires the customers log in details – although, unfortunately here, Mr K allowed the scammer control of this account and Revolut wouldn't have had reason to suspect this.

- In respect of the second scam Mr K fell victim to, these payments weren't flagged on Revolut's system. And considering the prior payments Mr K made to a crypto exchange for the investment scam were for significantly greater amounts, he didn't think these subsequent payments, for the second scam, would've been seen as unusual.
- He therefore didn't think Revolut were responsible for the losses Mr K had suffered.

C disagreed and requested Mr K's complaint be reviewed by an Ombudsman, and so it has been passed to me to decide. In short, they've added:

- The use of remote desktop software doesn't negate Revolut's responsibility to protect their client.
- The contact details provided for the Revolut account were Mr Ks, and Revolut's terms and conditions say they may contact customers by text or email. And so, in these circumstances, there was sufficient reason for Revolut to have contacted Mr K by other means than simply the in-app chat.
- The first £5,000 payment, as well as the subsequent £19,995 payment, ought to have triggered an intervention by Revolut. And as there isn't anything to suggest Mr K was given a cover story by the scammers, it's unreasonable to conclude he would've misled Revolut.
- If Revolut had asked Mr K relevant contextualised questions about the payments, the scams would've been uncovered – or at least planted the important seed of mistrust which is vital in breaking these manipulations. And Revolut are expected to identify and prevent the risk of financial harm to their customers – and so, given they didn't ask such questions, they acted in breach of BSI PAS.
- The rules under which the Financial Ombudsman operates, the DISP rules, allows an Ombudsman to consider good industry practice at the time.

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.

I'm sorry Mr K has been the victim of two scams and I don't underestimate the impact this had on him – particularly as I understand he was persuaded by the scammer to take out loans to finance the investment scam. But while I'm sympathetic to Mr K's situation, I must consider whether Revolut is responsible for the loss he has suffered. And while I realise this isn't the outcome Mr K is hoping for, for similar reasons as our Investigator, I don't think they are. I therefore don't think Revolut has acted unfairly by not refunding the payments. I'll explain why.

In broad terms, the starting position in law is that an electronic money institution (EMI) is expected to process payments that their customer authorises them to make. Here, although instructed by the scammer, it isn't disputed that Mr K knowingly made the payments from his Revolut account and so, I'm satisfied he authorised them. Therefore, under the Payment Services Regulations 2017 and the terms of his account, Revolut are expected to process Mr K's payments and he is presumed liable for the loss in the first instance.

However, taking into account the regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for Revolut to take additional steps or make additional checks before processing a payment to help protect customers from the possibility of financial harm from fraud.

So, the starting point here is whether the instructions given by Mr K to Revolut (either individually or collectively) were unusual enough to have expected additional checks being carried out before the payments were processed.

The Revolut account was newly opened and so there wasn't any historical spending to have allowed Revolut to assess whether the scam payment transactions were unusual or out of character for Mr K. I've therefore thought about whether the payments themselves, without any typical account usage available, were suspicious enough to have prompted Revolut to consider Mr K was at risk of financial harm from fraud.

The payments were made to legitimate crypto exchanges. And while there are known fraud risks associated with crypto, as scams like this have unfortunately become more prevalent, many of Revolut's customers use their services to legitimately invest in crypto - particularly as many high street banks have applied limits or restrictions. Revolut therefore must strike a balance between allowing customers to be able to use their account and questioning transactions to confirm they're legitimate.

Here, I think it would've been reasonable for Revolut to have had concerns at the point Mr K attempted the £20,000 payment on 18 October 2022 – which, evidently, it seems Revolut did as they blocked the payment while they carried out an account review. And so, given this block, Revolut had an opportunity to carry out additional checks before processing the payment to ensure Mr K wasn't the victim of a scam. To do this, I would've expected Revolut to have contacted Mr K to discuss the purpose of the payment – as well as asking probing questions to ascertain whether Mr K was at risk of being scammed, particularly given the funds were being sent to a crypto exchange (which carries a known fraud risk).

Although Revolut didn't take the steps I would've expected to protect Mr K from the investment scam, I've thought carefully as to whether, if they had, they could've prevented it. And while I know C disagrees, I don't think they reasonably could have. This is because Mr K has explained that he'd given control of his Revolut account to the scammer, and that it was the scammer that was replying to Revolut in the in-app chat regarding the blocked payment. And so, even if Revolut had sufficiently probed Mr K about the payment, or any subsequent payment towards the investment scam, I think it's reasonable to conclude that the scammer would've likely provided the answers necessary to assure Revolut that Mr K was making the payments for legitimate reasons.

I'm also not persuaded that any questioning from Revolut would've led to Mr K having sufficient doubts about the legitimacy of the investment. As, while he would've had sight of the conversation(s), it seems Mr K was clearly under the spell of the scammer and trusted them – shown by Mr K giving control of his Revolut account but also, to fund the investment, taking out £40,000 of lending (and, under the instruction of the scammer, providing 'home improvements' as the reason for borrowing as he was told the loans would be declined if he said it was for investing).

I've also considered C's point regarding Revolut's method of contact with Mr K, as they feel it would've been appropriate for them to have contacted him by a method other than their in-app chat. But while Revolut's terms and conditions say they may communicate with their customers by text message or email, it also says they'll usually communicate through their app. And so, Revolut weren't contractually obligated to contact Mr K by a method other than the in-app chat. I also don't think it was unreasonable for Revolut to have contacted Mr K via their app as, given it requires entering log in details, it is considered a secure method – and I don't think Revolut would've had sufficient reason to think Mr K's details had been compromised, thereby warranting them to contact him by another method.

It follows that I don't think I can reasonably conclude Revolut could've prevented the payments Mr K made towards the first scam.

I've also considered whether Revolut is responsible for the loss Mr K suffered from the second scam. But, by this point, I don't think the payments would've been unusual or out of character for Mr K based on his typical account usage. This is because, as part of the investment scam, Mr K had previously made payments to a crypto exchange for significantly greater amounts – and, as I've said, Revolut would've considered these to have been legitimate. I therefore don't think Revolut would've had sufficient reason to consider the payments made towards the second scam as suspicious or that Mr K was at risk of financial harm from fraud. And so, I wouldn't have expected Revolut to have carried out any additional checks before processing the payments.

I have a great deal of sympathy for Mr K and the loss he's suffered. But it would only be fair for me to direct Revolut to refund his loss if I thought Revolut was responsible – and I'm not persuaded that this was the case. For the above reasons, I think Revolut has acted fairly and so I'm not going to tell them to do anything further.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 12 January 2024.

Daniel O'Dell
Ombudsman