

The complaint

Ms S complains Revolut Ltd (Revolut) refused to refund her for disputed transactions on her account.

What happened

On 12 June 2023 four transactions were made on Ms S's account, totalling £10,645, which she says were fraudulent and she would like Revolut to refund this money. Ms S says on 27 April 2023 her phone was stolen which had the Revolut app, but it was only accessible via face ID or a passcode - which she had not shared with anyone. Additionally, Ms S logged her phone as lost on her iCloud as soon as she realised the phone was missing.

Revolut say Ms S was negligent by not informing them that she had lost her phone or that her account may have been compromised. But Revolut say they allowed the transactions to go through without intervention since the fraudsters were able to bypass the security on Ms S's phone and use her app – which was indistinguishable to them from genuine accesses that Ms S would do. Revolut expressed empathy for Ms S in her position as a victim of fraud, but said they were unable to refund her the money because she didn't inform them that her phone had been lost or stolen.

Our investigator considered this complaint and felt that Revolut should refund Ms S for the disputed transactions. Ultimately, she felt Ms S didn't consent to or authorise these transactions and failing to inform Revolut she lost her phone did not amount to gross negligence. Revolut didn't agree so the complaint has been passed to me for a decision.

Since the investigator's initial outcome, Revolut have come back with additional comments. I've considered all the evidence and information supplied by both parties in my 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'm upholding this complaint and I'll explain why.

The starting position under the Payment Services Regulations 2017 (PSRs) is that Ms S is liable for authorised payments and Revolut would be liable for unauthorised payments.

The four disputed transactions were made from Ms S's Revolut app. The evidence provided shows that the transactions were made on a different device to other authorised transactions made around the same time. Ms S has also provided persuasive and consistent evidence to support her claims that her mobile phone was stolen and that she was engaged in other activities at the time the transactions were made.

Ms S says she didn't write down her passcodes anywhere and the codes to access her phone and the app were different. Revolut recognise that the fraudsters were able to access her phone and app and carried out the four disputed transactions over a short period of time

on 12 June 2023. The transactions were funded from withdrawals from Ms S's Revolut savings account which the thieves were also able to access via the app. Once the savings were depleted and the money transferred out, no further transactions were attempted.

Based on the evidence available, and what Ms S has told us, I think it's unlikely she authorised the transactions herself. That means under the relevant regulations, the Payments Services Regulations (PSRs) Revolut can only hold her liable in limited circumstances – such as if she has failed in her obligations to keep her security details safe either intentionally, or with gross negligence.

Revolut say Ms S was negligent in failing to report her stolen phone to Revolut and in breach of the terms and conditions of her account. But gross negligence is a much higher standard than normal negligence – it involves serious recklessness. Ms S reported her phone as stolen to the police and made attempts to block the phone. Ms S has told us that she didn't think anyone would be able to access her Revolut app as it was protected by a passcode - which she had not shared with anyone else. As far as Ms S was aware, her Revolut card was safe and her app was protected by a secure passcode. Ms S bought herself a new phone and downloaded the Revolut app and had been using it for a few months before the fraud transactions were made – so she had no reason to fear her details had been compromised. The day after the transactions took place, Ms S realised the money was missing and contacted Revolut straight away.

The test for gross negligence is an objective test and having thought about what a reasonable person might have done in these circumstances I'm satisfied that a reasonable person would have done what Ms S did by reporting her stolen phone to the police and logging it as lost on the iCloud. It follows I don't think she acted with gross negligence.

So, considering everything I've seen I've decided to uphold this complaint. To put things right Revolut should refund Ms S the disputed transactions together with 8% simple interest from the date the transactions occurred until the transactions are refunded.

Putting things right

Revolut should put Ms S back in the position she would've been had the fraudulent transactions not been taken from her account. This means they need to do the following:

- Pay Ms S the total of the disputed transactions I understand this to be £10,645.
- Pay Ms S 8% simple interest from the date of the disputed transactions to the date of settlement.

If Revolut considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms S how much it's taken off. It should also give Ms S a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

I have decided to uphold this complaint. Revolut must put the Ms S back in the position she would've been in had things not gone wrong. I've outlined the details above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 3 January 2024.

Sienna Mahboobani
Ombudsman