

The complaint

Mr R complains that Revolut Ltd did not refund a series of transactions he lost to a scam.

What happened

Mr R searched online for someone who could help him invest in cryptocurrency. He found a company I'll call X and made an initial deposit from his Revolut account into a crypto wallet in his name, which he forwarded on to invest via X. When he tried to withdraw his profits at a later date, he was told he had to pay various fees and charges before they could be released. This went on for a few months before Mr R realised he had been the victim of a scam. He made the following payments:

- 25 November 2022 - £2,471.76
- 07 December 2022 - £1,441.86
- 08 December 2022 - £3,033.06
- 15 December 2022 - £1,390.36
- 10 January 2023 - £2,899.17
- 02 February 2023 - £1,029.90

He raised a scam claim with Revolut who explained the payments had been made by debit card, but they could not initiate a chargeback to retrieve the funds, as the payments initially went to a legitimate merchant.

Mr R referred the complaint to our service as he didn't think Revolut had fully considered his scam claim. Our Investigator looked into it and felt that the value and frequency of the payments were not so unusual that they warranted intervention from Revolut before they were processed. And as the account had been newly opened, there was no genuine account activity for Revolut to compare the scam payments to, so they didn't think Revolut had missed an opportunity to reveal the scam. Finally, they agreed it was reasonable that Revolut did not raise a chargeback claim in the circumstances.

Mr R disagreed with the outcome, so the complaint has been passed to me for a final 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.

I've firstly considered if Revolut could reasonably have recovered the funds from the merchant. As Mr R made the payments via debit card, they are covered under the chargeback scheme.

It should be noted that the chargeback scheme is a voluntary scheme set up to resolve card payment disputes between merchants and cardholders. The card scheme operator

ultimately helps settle disputes that can't be resolved between the merchant and the cardholder.

Such arbitration is subject to the rules of the scheme, meaning there are only limited grounds and limited forms of evidence that will be accepted for a chargeback to be considered valid, and potentially succeed. Time limits also apply.

Mr R was dealing with X, which was the company that instigated the scam. But he didn't make the debit card payments to X directly, he paid separate cryptocurrency exchanges. This is important because Revolut was only able to process chargeback claims against the merchants he paid, not another party (such as X).

The service provided by the cryptocurrency exchanges would have been to convert or facilitate conversion of Mr R's payments into cryptocurrency. Therefore, they provided the service that was requested; that being the purchase of the cryptocurrency.

The fact that the cryptocurrency was later transferred elsewhere – to the scammer – doesn't give rise to a valid chargeback claim against the merchant Mr R paid. As they provided the requested service to Mr R any chargeback attempt would likely fail. Because of this, I think it was reasonable that Revolut did not attempt a chargeback in the circumstances, so I don't think it has made an error in relation to the recovery of the funds.

I've gone on to consider the payments themselves. 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.

Broadly speaking, 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 account. And a customer will then be responsible for the transactions that they have authorised.

It's not in dispute here that Mr R authorised the payments as he believed they were part of a legitimate sale. So, while I recognise that Mr R didn't intend the money to go to scammers, the starting position in law is that Revolut was obliged to follow his instruction and process the payments. Because of this, Mr R is not 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 victims to scams. So, I've also thought about whether Revolut did enough to try to keep Mr R's account safe.

Mr R opened the Revolut account in order to add funds to the cryptocurrency wallets. Because of this, there was no genuine account activity that Revolut could compare the scam payments to. So, I think it would therefore be more difficult as a starting point to identify unusual transactions.

I've considered the transactions themselves to see if they were sufficiently suspicious to warrant intervention by Revolut before being processed. Having done so, I don't agree that the values of the payments were so high that I think Revolut should have carried out further checks. In addition, the payments themselves were relatively spread out over more than two months. So, I don't think the pattern of spending was significantly unusual either. And I therefore do not think Revolut has missed an opportunity to intervene and reveal the scam.

Having carefully considered everything available to me, I don't think Revolut has made an error when it processed the transactions without intervening beforehand or when it did not pursue a chargeback claim in this case.

My final decision

I do not uphold Mr R's complaint against Revolut Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 10 April 2024.

Rebecca Norris
Ombudsman