

The complaint

Mr C complains that Revolut Ltd didn't do enough to prevent the loss he suffered when he sent a payment to one of its customer's accounts as a result of a scam.

Mr C has used a representative to bring his complaint, but for ease of reading, I'll mostly just refer to and will ascribe the representative's comments to Mr C.

What happened

The background to this complaint is well known to both parties. So, I will keep my summary of what happened brief and focus on the reasons for my decision.

Mr C says he's fallen victim to an 'impersonation scam'. He was contacted via email by a self-claimed UK private banker who told him that he was the beneficiary of their deceased clients inheritance fund as he shared the same family name as them. Between April and May 2022 Mr C made four payments totalling over £54,000 to three different recipient accounts, with three different payment service providers (PSPs). At the time Mr C believed the payments he was making were towards legal fees and HMRC bills to release the inheritance money.

Relevant to this complaint is a payment of £20,000 which credited the Revolut account on 27 May 2022. The payment was sent from Mr C's account with his own bank which is based outside the UK.

In short, Mr C complained to Revolut that it had likely failed: to meet its obligations when allowing its customer's account to be opened; in its monitoring of the recipient account; and in its response when notified of the fraud. He asked that it refund his loss.

Revolut didn't uphold Mr C's complaint. It said it couldn't agree to a refund, nor could it (due to data protection reasons) disclose any information about the recipient account. So, the matter was referred to our service. Our Investigator upheld Mr C's complaint. He was of the opinion that there was a change in the operation of the account, and had Revolut intervened, it could've prevented most of Mr C's losses (in relation to the funds paid into the Revolut account). He recommended Revolut refund £19,000 plus 8% interest.

Mr C accepted the Investigator's outcome, but Revolut disagreed, and the case was passed to me to decide.

In November 2023 I issued a provisional decision in which I said:

"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 to hear Mr C was the victim of a scam and has lost a considerable sum of money as a result. I can appreciate why he wants to do all he can to recover the money he's lost. But an account later found to have been utilised to receive fraudulently obtained funds doesn't automatically entitle the payer (victim) to a refund from the recipient PSP nor does it mean that the recipient PSP reasonably failed to prevent the loss. In circumstances such as these where Mr C has no direct relationship with Revolut, I can only ask it to refund Mr C's loss if I think it has failed in such a way that it can fairly and reasonably be concluded that its act or omission caused the loss.

With that in mind, I'm satisfied Revolut carried out checks (in line with its regulatory obligations) to verify the identity of the named accountholder and did its due diligence when opening the recipient account. There was nothing at the time that I think reasonably could've alerted Revolut that the account it was opening would later be used to receive fraudulently obtained funds. So I don't think it missed an opportunity to prevent Mr C's loss when opening the account.

Revolut have shared the recipient account statements since opening. These cover over 12 months of account activity including the arrival and spending of Mr C's funds. Having carefully reviewed these I do agree with our Investigator, in so far as, I think that £20,000 arriving and all being paid away the same day (payments were made to both new and existing payees) was a change in the operation of the account, and it isn't unfair or unreasonable to say that this ought to have prompted a review. But I'm not persuaded that any proportionate level of intervention prior to Mr C's funds being spent would've resulted in a prevention of his loss. I say this because, in this case, had Revolut taken a closer look it would've seen that the account had been operating without concern for over a year. Its expected and actual pattern of use wasn't like a general bank account, with a regular mandated salary and payments being made – it appears to be more sporadic. Whilst the incoming payment was larger than payments previously received and the cumulative spend was greater than historic use, the account had previously received international payments some of which were also spent or transferred out soon after arriving. Also Mr C's incoming payment didn't have a beneficiary name mismatch, and Revolut had not received any prior reports of fraud in relation to the recipient account. Of course, money arriving and being transferred out the same day can be an indicator of potential misappropriation of funds, but it could also be legitimate use.

In hindsight it's easy to say Revolut ought to have done more. But what I need to think about is what was reasonable to expect it to have done, based on the information available to it at the time. And following on from that, what the likely outcome would have been, had Revolut acted as I'd have expected. Here as there were no other obvious red flags, I think a proportionate check would've been for Revolut to have asked questions of its accountholder. In this case, it's also most likely that its customer would've just confirmed that they were the intended recipient and that everything was ok. And at the time I can't see a basis upon which Revolut could've contested this. Revolut have said aside from Mr C's complaint (raised through his representative in July 2022) it hasn't received any other reports about fraudulent payments. So it follows that I can't fairly and reasonably conclude that Revolut could've prevented Mr C's loss in this way either.

It appears as though Mr C's bank didn't sent notification of fraud to Revolut. It isn't unreasonable for a recipient PSP to request formal notification of fraud from the remitting bank before taking steps to assist in the recovery of the disputed funds. One of the reasons for this is to mitigate the risk of malicious claims from unknown parties, which to be clear isn't something I'm suggesting has happened here. But even if I were to say Revolut ought to have done something more when it received Mr C's complaint in July 2022, all that remained which it could have returned to Mr C was one pence. Given this is such a low amount, where the cost of processing a return would have exceeded its value, as well as the benefit to Mr C being so negligible – I don't think Revolut has acted unfairly or unreasonably by not returning this amount.

For completeness, I'm also satisfied Revolut haven't acted unfairly or unreasonably when informing Mr C that it can't share (with him) information about the recipient account holder and the investigation it carried out. As the information contains someone else's personal data, in the circumstances of this case, without their being a lawful basis and/or consent from the third party whose data it is, Revolut can't share this with Mr C.

My provisional decision

For the reasons outlined above, but subject to any further information I receive from either Mr C or Revolut Ltd, I'm not intending to uphold this complaint."

Revolut responded to say it has no further comments to make. Mr C also responded. He maintains that the recipient account had all the red flags associated with a high-risk account – that being an account which received a large sum, with most of the money being cleared quickly, leaving only a small sum. His belief remains that if Revolut had intervened appropriately then it would have been clear that fraud was occurring.

So now that both sides have had an opportunity to comment, I can go ahead with my 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 appreciate Mr C still feels Revolut ought to have done more and had it intervened appropriately it would've been clear that fraud was occurring. But for the reasons I've already set out (in quite some detail) in my provisional decision, I don't agree that this would've been apparent to Revolut at the time. In hindsight it's easy to make such arguments, but at the time what Revolut would've been faced with was an account which had been open and operating for some time; no previous fraud concerns or notifications; no beneficiary name mismatch on the incoming credit; spending which wasn't obviously indicative of misappropriation; and in this case an account holder who likely would've confirmed everything was ok and that the payment was intended for them. I've also not been presented with anything that persuades me that any steps which I'd reasonably have expected Revolut to have taken at the time would've resulted in a prevention of Mr C's loss.

As neither party has put forward any new evidence, or information which changes my mind. I see no reason to depart from the findings I made in my provisional decision.

Again, I'm really sorry to hear Mr C has lost so much money to a scam. But having carefully considered everything I don't think Revolut are responsible for his loss, nor have they hindered its recovery in a way where it would be fair to ask it to compensate him. I'm also satisfied Revolut responded appropriately to a request for disclosure of third-party personal data. So it follows that there isn't a fair and reasonable basis upon which I can tell it to do more to resolve this complaint.

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 C to accept or reject my decision before 9 January 2024.

Sonal Matharu
Ombudsman