

The complaint

Mr R complains that Revolut Ltd won't refund money he lost when he fell victim to an employment scam.

What happened

The detailed background to this complaint is well known to both parties. The facts about what happened aren't in dispute, so I'll focus on giving my reasons for my decision.

The complaint concerns several transactions totalling just over £5,100 which Mr R made in March 2023 in connection with a job opportunity – completing tasks – with a company “J” who contacted him on an instant messaging service. He subsequently discovered that he'd fallen victim to a scam.

Mr R has explained that the Revolut account was opened as part of the scam. He transferred the funds from his account with another business to Revolut, before sending it on to a cryptocurrency exchange for conversion into cryptocurrency. Once converted, the cryptocurrency was sent to cryptocurrency wallets in J's control.

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.

In broad terms, the starting position at law is that an Electronic Money Institution (“EMI”) such as Revolut is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations (in this case the 2017 regulations) and the terms and conditions of the customer's account.

But, taking into account relevant law, regulators rules and guidance, relevant codes of practice and what I consider to be good industry practice at the time, I consider it fair and reasonable in March 2023 that Revolut should:

- have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams,
- have had systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which firms are generally more familiar with than the average customer,
- in some circumstances, irrespective of the payment channel used, have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment – (as in practice Revolut sometimes does including in relation to card payments),

- have been mindful of – among other things – common scam scenarios, how the fraudulent practices are evolving (including for example the common use of multi-stage fraud by scammers, including the use of payments to cryptocurrency accounts as a step to defraud consumers) and the different risks these can present to consumers, when deciding whether to intervene.

EMIs are set up with the purpose of sending and receiving money and the type of payments they're generally used for tends to be somewhat different to banks and building societies. Often, the payments will be for larger sums. Where there's no previous account history, as was the case here, what should reasonably strike Revolut as concerning for a first payment isn't down solely to the transaction amount involved.

I haven't seen any other factors at play here such that, in my view, Revolut should have been concerned and ought to have questioned Mr R when he authorised the first disputed transaction of £54. Or the next eight transactions, which ranged between £30 and £1,000. The transactions were spread evenly over three days. But by the time Mr R authorised the next transaction, for £1,500, he'd already sent three payments that day. So, by the point of the fourth transaction, he had instructed Revolut to send just over £3,100 to a cryptocurrency exchange in one day.

By March 2023, there had been widespread coverage in the media about increased losses to cryptocurrency investment scams. I'm satisfied that Revolut ought to have recognised that the card payment in question carried a heightened risk of financial harm from fraud given an increased frequency of transactions to a cryptocurrency exchange in a short period. In the circumstances, and at that time, I consider that a proportionate response to that risk would have been for Revolut to have provided Mr R with a written warning about cryptocurrency investment scams tackling some of the typical features.

But, had it done so, I'm not persuaded that it would have prevented Mr R's loss. This is because he wasn't sending payments in connection with an investment. He understood he was using the cryptocurrency platform to deposit funds into his account to spend with his 'employer'. So, I'm not satisfied that the kind of warning I would have expected at that time – setting out the typical hallmarks of cryptocurrency investment scams – would have resonated with Mr R.

What that means is that even though Revolut missed an opportunity here, I'm not convinced it would have led to a different outcome. I think it's more likely than not that Mr R would have seen a warning about investment scams involving cryptocurrency – which is the extent of the intervention I would have expected at the time of the disputed transaction – and disregarded it as didn't apply to him.

I've also thought about whether Revolut could have done more to recover the funds once it became aware of the situation, as in some circumstances the money can be recovered. These were debit card payments, so the recovery avenue would have been limited to chargeback. But Mr R's payments went to a cryptocurrency exchange. He wouldn't be able to make a successful chargeback claim in the circumstances because the merchant he paid did provide the service requested (i.e., conversion of fiat money into cryptocurrency). For completeness, Revolut couldn't attempt a chargeback against any another party.

In summary, I know that Mr R will be disappointed with this outcome. Not least because the matter has been ongoing for some time. I fully acknowledge that there's a considerable amount of money involved here. Despite my natural sympathy for the situation in which Mr R finds himself, 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 R to accept or reject my decision before 19 July 2024.

Gagandeep Singh
Ombudsman