

The complaint

Mr J complains that Revolut Ltd hasn't protected him from losing money to a scam.

What happened

The background to this complaint is well known to both parties, so I won't repeat everything here. In brief summary, Mr J has explained that on 7 November 2023 he made two payments from his Revolut account as a result of an impersonation/investment scam. The first payment was for £950. The second payment was for £1,900 and incurred a fee of £43.70. The payments and accompanying fee therefore totalled £2,893.70.

Mr J subsequently realised he'd been scammed and got in touch with Revolut. Ultimately, Revolut didn't reimburse Mr J's lost funds, and Mr J referred his complaint about Revolut to us. As our Investigator couldn't resolve the matter informally, the case has been passed to me for a 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've decided to not uphold Mr J's complaint for materially the same reasons as our Investigator. I'll explain why.

First, let me say, I don't doubt Mr J has been the victim of a scam here. He has my sympathy. Ultimately, however, Mr J has suffered his loss because of fraudsters, and this doesn't automatically entitle him to a refund from Revolut. It would only be fair for me to tell Revolut to reimburse Mr J his loss (or part of it) if I thought Revolut reasonably ought to have prevented the payments in the first place, or Revolut unreasonably hindered recovery of the funds after the payments had been made; and if I was satisfied, overall, this was a fair and reasonable outcome.

Prevention

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 have been good industry practice at the time, I consider it fair and reasonable in November 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;

- have acted to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring all aspects of its products, including the contractual terms, enabled it to do so;
- 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);
- 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.

In this case, however, I can see that Revolut did intervene before it followed Mr J's instructions to make the two payments. I'm satisfied from the information I've seen that in respect of both payments Mr J was shown the following in-app warning: *"Do you know and trust this payee? If you're unsure, don't pay them, as we may not be able to help you get your money back. Remember, fraudsters can impersonate others, and we will never ask you to make a payment"*.

Mr J needed to acknowledge the warning to proceed with the payments, but the payments were nonetheless then blocked by Revolut, and Mr J was asked to state the purpose of the payments, to which he selected the option "Transfer to my other account". Mr J was shown a warning that said *"Something doesn't look right. Your transaction has been flagged by our system as a potential scam. To continue, we need to ask you some questions"*. And he was then asked further questions. Mr J was then shown tailored scam warnings based on the answers he gave, which Mr J needed to acknowledge in order to proceed with the payments. But Revolut then intervened further – by "forcing" Mr J into an in-app chat (if he wished to make the payments) where I can see Revolut did various things such as warning Mr J that if he was being scammed, the fraudster may have asked him to hide the real reason for his payment; that based on his answers to its questions, there was a high chance he was being scammed; and that fraudsters used sophisticated methods to impersonate financial institutions or trusted entities. Despite Mr J's answers to the questions, I think Revolut's warnings were sufficiently on point in order for Mr J to have been reasonably aware of the risk – not only was Revolut clear that it thought there was a high chance Mr J was being scammed, but also Mr J said he hadn't received a call or message from anyone (that may be impersonating a financial institution or other trusted entity) despite the fact the fraudsters who had contacted him said they were from the Financial Conduct Authority. With regards to the second payment, Mr J also typed into the chat with Revolut that, *"Revolut has warned me that this is likely a scam and are unlikely to recover my funds if I proceed with this transaction"*.

Mr J nevertheless chose to proceed with the payments. And I don't think I can say Revolut's interventions were inappropriate or that I could fairly say they reasonably ought to have gone further than this. Mr J's Revolut account had only just been opened, so Revolut didn't have a material account history in which to yet measure whether Mr J's scam payments were uncharacteristic or unusual for the account. But given the respective amounts, even though they were to new beneficiaries, I think the level of intervention was reasonable. There are many payments made by customers each day, and there's a balance to be struck between appropriately intervening in payments before following the customer's instructions to make

them, and minimising disruption to legitimate payments (allowing customers ready access to their funds). So I'm not persuaded Revolut unreasonably failed to prevent Mr J from making the payments.

Recovery

I've considered whether Revolut unreasonably hindered recovery of the funds after the payments had been made. But I'm not persuaded it did. It explained in its final response to Mr J dated 20 December 2023 that it tried to recover the funds for Mr J but regrettably it received confirmation from the beneficiary institution that no funds had been available to be retrieved. I've no reason to doubt this. And in this case, I'm not surprised no funds were available to be recovered, since as I understand things, by the time Mr J notified Revolut on 8 November 2023 that he'd been scammed, the payments he'd made had already been used to purchase cryptocurrency which Mr J had lost to the scammers. So I can't fairly say Revolut unreasonably failed to recover Mr J's lost funds.

I realise this means Mr J is out of pocket, and I'm sorry he's lost money. However, I can't fairly tell Revolut to reimburse him in circumstances where I don't think it did anything wrong.

My final decision

For the reasons explained, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 11 September 2024.

Neil Bridge
Ombudsman