

The complaint

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

Mr L is being represented by solicitors in this complaint.

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 13 transactions totalling over £20,000 which Mr L made in March and April 2023 in connection with a job opportunity – completing tasks involving rating hotels to increase their visibility – with a company “J” who reached out to him on an instant messaging service. Mr L subsequently discovered that he'd fallen victim to a scam.

Mr L's Revolut account was opened as part of the scam. It was explained to him that he needed to make deposits in cryptocurrency into his account with J as and when required to complete some of the tasks. To make that deposit, Mr L transferred money 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 as instructed by his account manager at J. Mr L thought he was adding cryptocurrency to his account with J as the balance increased accordingly.

All transactions from Revolut were made using Mr L's debit card and went to a cryptocurrency exchange. When he was unable to withdraw his wages and commission and instructed to top up his account with more money, Mr L realised he'd fallen victim to a scam.

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 that in March 2023 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 L when he authorised the first disputed transaction of £85. Or for that matter, the next four transactions which were all made the following day. The individual amounts ranged between £25-£1,160. I accept that these were identifiably cryptocurrency related. But buying cryptocurrency is a legitimate exercise. And at the time of opening the account, cryptocurrency was one of the declared purposes of the account.

That said, I'm satisfied that Revolut ought to have recognised that the fifth transaction that day (sixth overall) carried a heightened risk of financial harm from fraud. I say this because by then a pattern of increased cryptocurrency related spending had begun to emerge. By March 2023, there had been widespread coverage in the media about increased losses to cryptocurrency investment scams.

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 L with a written warning about the most common type of scams involving cryptocurrency – investment scams – tackling some of the typical features.

But I'm not persuaded that it would have prevented Mr L'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 L.

What that means is that even though Revolut missed an opportunity at the suggested trigger point, I'm not convinced it would have led to a different outcome. I think it's more likely than not that Mr L would have seen a warning about investment scams involving cryptocurrency and disregarded it as didn't apply to him. Much for the same reasons, I don't consider any subsequent intervention – which I would have expected to be along the same lines – would have positively impacted Mr L's decision making.

The following day, when Mr L attempted payment 7, Revolut declined the transaction and directed him to its in-app chat to make further enquiries. So, I've gone on to consider whether Revolut's appropriately intervened at that time.

Revolut asked Mr L several questions before unblocking his account. To list a few, Mr L was asked whether he had recently downloaded any screensharing application, whether he'd received any calls recently from anyone telling him to create a Revolut account and encouraging him to make an outbound transfer, whether anyone was pressuring him to act quickly, or if he'd been promised returns which seemed too good to be true, if he'd conducted any research and if he understood what he was investing in, and if he had access or owned the cryptocurrency account he was sending the funds to.

Mr L said no to all of the above questions barring the one about conducting research and having control over the recipient account. His answers indicated that he was acting independently in purchasing the cryptocurrency and hadn't been encouraged by a third party in creating a Revolut account. In the circumstances, given Mr L's answers didn't highlight a heightened risk of financial harm due to fraud, I'm satisfied that Revolut's intervention was proportionate. I accept Mr L's representative's point that Revolut could have asked more questions – it's easy to be critical with the benefit of hindsight – but I'm satisfied that it sufficiently probed Mr L, and that he was given the opportunity to elaborate on his answers.

Thinking next about the recovery of payments, these were card payments. So, the recovery avenue would have been limited to chargeback. Time limits apply to when a chargeback can be raised and considered valid. Revolut was first notified about the situation in September 2023, which is six months after the last payment in dispute and outside the chargeback time limits.

Even if the time limits had been complied with, given that the payments went to a cryptocurrency exchange and the service requested was provided, namely conversion of fiat money into cryptocurrency, recovery would likely have been unsuccessful.

In summary, I recognise that Mr L will be disappointed with this outcome. I understand that the scam has had a significant impact on his mental and financial wellbeing. I'm sorry that he fell victim to such a cruel scam. In deciding this complaint, I have to consider whether Revolut could have prevented the scam from happening. Having thought carefully about this, for the reasons given above, it wouldn't be fair of me to hold Revolut liable 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 L to accept or reject my decision before 25 October 2024.

Gagandeep Singh
Ombudsman