

## The complaint

Mr B complains that Revolut Ltd won't refund money he lost when he was a victim of an impersonation scam.

Mr B is represented by a firm I'll refer to as 'C'.

## What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

On 23 November 2023 Mr B received a telephone call from a person, that we now know to be a scammer, that introduced themselves as being a representative of the Supreme Court of the UK. The scammer advised Mr B that the call was in relation to HMRC as there had been allegations of fraudulent activity on his account in relation to tax. And that, to avoid going to court and paying a severe penalty, the scammer told Mr B he could pay funds into an account associated with HMRC as part of a tribunal. The scammer advised that, once paid into the bank accounts provided, HMRC would review the funds and investigate the missing tax calculation. And providing the funds were legitimate, he would receive a refund by 6:30pm.

Mr B made the following payments as part of the scam:

Date	Transaction type	Payee	Amount
23 November 2023	Fund transfer	'I'	£730
23 November 2023	Fund transfer	'G'	£999
23 November 2023	Fund transfer	'RA'	£1,000
23 November 2023	Fund transfer	'MCP'	£1,000
23 November 2023	Fund transfer	'I'	£1,000
Total			£4,729

There was also a second payment attempted to G for £999.09, shortly after the third payment was processed, but this was unsuccessful as the transaction expired on the app. The payment to RA was also returned shortly afterwards, about 50 minutes later, and so, Mr B's total loss is £3,729.

Mr B realised he was scammed when he didn't receive a subsequent call, as he was told he would, from the scammer. So, he called the official Supreme Court number and after explaining what happened he was informed he'd fallen victim to a scam.

C complained, on Mr B's behalf, to Revolut on 8 January 2024 saying the payments were made as part of a scam. In short, they said:

- The scammer called Mr B from a telephone number associated with the Supreme court to provide their legitimacy. Mr B checked this on Google and found the telephone number was used by the Supreme Court. Unaware of sophisticated spoofing techniques used by scammers, Mr B thought this was genuine.

- Mr B noted the professional tone of the scammer and had no reason to question their authenticity. And as Mr B had recently made a refund to HRMC regarding an overpayment for the universal credit he received during the pandemic, he believed it could've been linked to the financial crime investigation the scammer informed him of.
- Mr B was in a pressured situation heightened by the prospect of losing his entire life savings. And he was convinced by the scammer due to them successfully spoofing a genuine contact number and putting forward a reasonable story – which, in the heat of the moment, convinced Mr B nothing was amiss.
- Given the frequency of the payments being sent to new and unusual payees, it is expected that Revolut would have effectively intervened and contacted Mr B to discuss them further. But the only intervention Mr B received from Revolut was a pop-up message that was easily bypassed.
- These payments were highly unusual for Mr B's account when compared to his usual financial activity.
- If Revolut had contacted Mr B to have discussed the payments, then basic questioning surrounding the transactions would've established the funds were being moved for HMRC security reasons. This would've immediately been recognised as an impersonation scam and prevented it from escalating further.
- Mr B says he wouldn't have proceeded to make further payments if Revolut had effectively educated him on the high risks of scams like this.
- To settle this complaint, Mr B would accept a full reimbursement of his losses, 8% interest and £300 compensation.

Revolut didn't uphold the complaint. In short, they said:

- They detected the payment(s) was being made to a new beneficiary and displayed the following message:

*"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".*

As Mr B acknowledged this warning, he was free to continue with the transfer.

- They showed a message informing Mr B that the transfer was riskier than most transactions. And they asked about the purpose of the payment, whether someone was pressurising him into making the payment or if he'd been called unexpectedly.
- They also showed a message about the purpose of the payment, followed by educational screens regarding the type of potential scam. After these warnings, Mr B was free to continue with his transactions.
- In addition to system-based fraud protection, they also inform customers about scams and prevention tips through email and blogs – and provide updates on their fraud and scam hub.
- They weren't at fault for processing the transfers that Mr B authorised in the form and procedure agreed in the terms and conditions for giving consent to execute payments from his account.

- They launched a request to freeze and retrieve the funds from the fraudulent beneficiary's account within 24 hours after the scam being reported. This process is bound by the cooperation from the beneficiary bank and the recovery of funds isn't guaranteed. Regrettably, they received confirmation on 30 November 2023 that no funds remained.
- They're not liable for these transactions, they treated Mr B fairly and they fulfilled their duty to protect him by providing sufficient warnings and trying to recover the funds.

Mr B's complaint was referred to the Financial Ombudsman. Our Investigator didn't however think Revolut had to do anything further. She said Mr B ought to have selected a different payment purpose when prompted by Revolut on three of the transactions. As Mr B selected 'pay a familiar member or friend', rather than 'pay taxes or law enforcement fines', it prevented Revolut from providing the most appropriate warning. Our Investigator thought the information Revolut provided and the questions they asked Mr B before processing the payments were clear and ambiguous. And that they carried out enough checks to satisfy themselves Mr B wasn't falling victim to scam – but there wasn't enough to show Revolut ought to have known he was. She also said Revolut had acted as she would've expected by contacting the beneficiary banks to try and recover Mr B's funds. And they had since been able to recover £130.95 which they'd credited to Mr B's account.

C disagreed and asked for Mr B's complaint to be reviewed by an Ombudsman. C, in short, added:

- They do not believe the payment purpose Mr B provided matched up with the payees – as it looks like the payees were limited companies, and so wouldn't be friends and family.
- Electronic Money Institutions (EMI) shouldn't take customers words at face value. But they should delve deeper into whether the customer's answers match the payment journey – especially where fraud has been detected.
- They therefore believe Revolut could've done more here.

Our Investigator added that she didn't think the payments that were sent to limited companies would've been unusual or suspicious in appearance to Revolut, based on the value of the transactions, for them to have determined they were being made as part of a scam. And in respect of the payments that were sent to personal bank accounts, it wouldn't have been clear to Revolut that Mr B could've selected the wrong payment purpose – as these weren't limited companies.

She further added that Revolut made it clear to Mr B that he should answer truthfully and asked him whether he knew and trusted the payee, as they warned fraudsters can impersonate others. And despite being asked whether anyone was assisting him on how to answer the questions or which payment option he needed to select, Mr B said 'no'. So, she wasn't persuaded that even if Revolut had carried out further checks this would've made a difference – as Mr B hadn't been truthful when answering their automated questions.

The matter has therefore been passed to me to decide.

### **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'm sorry Mr B has been the victim of a scam and I don't underestimate the impact this has had on him. But while I'm sympathetic to Mr B's circumstances, I must consider whether Revolut is responsible for the loss he has suffered. I know this won't be the outcome Mr B is hoping for but, for similar reasons as our Investigator, I don't think they are. And so, I don't think Revolut has acted unfairly by not refunding the payments. I'll explain why.

I've thought about the CRM code which can offer a potential means of obtaining a refund following scams like this one. But as Revolut isn't a signatory of the CRM code, these payments aren't covered under it. I've therefore considered whether Revolut should reimburse Mr B under any of their other obligations.

In broad terms, the starting position in law is that an electronic money institution (EMI) is expected to process payments that their customer authorises them to make. It isn't disputed that Mr B knowingly made the payments from his account – albeit under the direction of the scammer – and so, I'm satisfied he authorised them. Therefore, under the Payment Services Regulations 2017 and the terms of his account, Revolut are expected to process Mr B's payments and he is presumed liable for the loss in the first instance.

However, taking into account the regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for Revolut to take additional steps or make additional checks before processing a payment to help protect customers from the possibility of financial harm from fraud.

Here, as part of the transfer process for the payments, Revolut did provide Mr B with advice and warnings to try to protect him from being scammed. And they presented the following to Mr B before he made the first payment to each of the new beneficiaries:

***“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.”*

Revolut also carried out further checks, undertaking a fraud risk assessment, on three of the transactions – those being the £999 payment to G, the £999.09 unsuccessful payment to G and the £1,000 payment to I. Revolut explained to Mr B that the transactions had been flagged by their system as a potential scam and that, to continue, they needed to ask him some questions. Revolut directed Mr B to answer truthfully and warned that if he was being scammed, the fraudster might ask him to hide the real reason for this payment. Mr B confirmed that he understood he may not get his money back if he did not answer the questions truthfully.

Revolut asked Mr B questions that included:

***“Is anyone telling you how to answer these questions?”***

*Is someone telling you which options to choose or telling you this is urgent?”*

Mr B selected 'No, I am not being assisted through this questionnaire'.

***“Why are you making this transfer?”***

*We'll only use this information to help protect your account”*

Mr B selected 'Pay a family member or friend', which prompted subsequent questions from Revolut relevant to this scam risk. Revolut also provided educational stories – tailored to the selected payment purpose – that included:

- ***"This could be a scam.***

*STOP. Scams where victims are contacted from someone claiming to be a friend or family member are increasing.*

- ***Check in first***

*Scammers can fake messages and calls from your loved ones in distress. Call them yourself to check if it's really them.*

- ***Be wary of urgency***

*Scammers will convince you the transfer is urgent and ask you to act quickly. Stop and take a moment to think."*

I'm satisfied Revolut's questions were clear and unambiguous. I similarly consider that Revolut made it clear to Mr B that he should answer their questions truthfully, as well as warning that a fraudster might ask him to hide the real reason for the payment. Despite this, Mr B selected 'Pay a family member or friend' as the purpose of the three payments – which, naturally, generated scam warnings associated with that type of risk and so it wasn't particularly relevant to Mr B's circumstances. Nor did Mr B tell Revolut that he was being assisted through the questionnaire – even though the scammer was telling him what payment purpose to select.

At which point, I've noted C's point that EMIs shouldn't take customers words at face value but, instead, they should delve deeper into whether the customers answers match the payment journey. And that here, the payment purpose Mr B provided wouldn't have matched up as it appears the payees were limited companies. I agree that EMIs shouldn't necessarily take a customer's instruction at face value, but they should consider the wider circumstances of a payment and the potential risks associated with it to be able to appropriately protect their customers. However, the payments Mr B made whereby he was required to select the payment purpose were to personal accounts – not limited companies. Because of this, I'm not persuaded Revolut would've identified there was any contradictory payment purpose. And so, I don't think Revolut would've had sufficient reason to suspect the payments weren't genuinely being made to friends and family as Mr B claimed.

There were however other options Mr B could've selected that would've more accurately described the purpose of the payments – 'Pay taxes or law enforcement fines' and 'Something else'. Had Mr B selected either of these options it would've given Revolut a better understanding of the payments – thereby allowing them to provide him a more tailored scam warning, such as one associated with the risks of paying tax. It also could've helped them identify whether they ought to have taken additional steps to try and protect Mr B from a scam. Unfortunately, due to Mr B selecting an inaccurate payment reason, they were prevented from knowing the true purpose of the payments. And so, I don't think Revolut acted unreasonably by providing the scam warnings they did.

The warnings provided, albeit not specifically tailored to the type of scam Mr B fell victim to, were also somewhat relevant to his circumstances. This is because it highlighted the possibility of impersonation, including scammers faking messages and calls, as well

scammers trying to convince victims that the transfer is urgent and asking them to act quickly. So, while Mr B may not have been scammed because of sending payments to a friend or family member, I think the scam warnings presented by Revolut ought to have resonated him with given his situation – thereby prompting him to question the legitimacy of the call he'd received.

I've gone to think about whether Revolut ought to have taken further steps beyond providing these warnings. When considering this, I've kept in mind that EMIs process high volumes of transactions each day. And that there is a balance for Revolut to find between allowing customers to be able to use their account and questioning transactions to confirm they're legitimate.

Having looked at Mr B's prior account usage, while it was typically low value transactions, I don't think the scam payments were of a significant enough value, either individually or collectively, to have been seen by Revolut as being sufficiently unusual or out of character for Mr B. Mr B also provided – for three of the transactions – the reason for the payments being for friends and family. And I don't think this would've necessarily stood out to Revolut as being unusual account activity. But rather, it would've appeared as genuine account activity – as it's not uncommon for customers to legitimately send money to friends and family. And while the scam payments were made on the same day, within a relatively short period of time, I don't think they were so unusual or suspicious whereby I would've expected Revolut to have been concerned that Mr B was at significant risk of financial harm from fraud. Because of this, I wouldn't have expected Revolut to have carried out additional checks before processing them. I'm satisfied the online scam warnings Revolut presented – based on the payment purpose and answers Mr B provided – were appropriate and proportionate to the risk identifiable to them at the time.

I've considered whether, on being alerted to the scam, Revolut could reasonably have done anything more to recover Mr B's losses, but I don't think they could. This is because Revolut has shown they contacted the beneficiary account providers within 24 hours of the fraud being reported, which is what I'd expect, to try to recover Mr B's funds – along with tracing the funds sent to another Revolut account. Unfortunately, the only recoverable funds were the £130.95 from MCA's account – which they credited to Mr B's account. I therefore consider Revolut took reasonable steps to try to recover Mr B's funds but, sadly, it had mostly been removed by the scammers.

I have a great deal of sympathy for Mr B and the loss he's suffered, as I appreciate it is a significant sum of money to him. But it would only be fair for me to direct Revolut to refund his loss if I thought they were responsible – and I'm not persuaded that this was the case. For the above reasons, I think Revolut has acted fairly and so I'm not going to tell them to do anything further.

### **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 B to accept or reject my decision before 18 July 2024.

Daniel O'Dell  
**Ombudsman**