

The complaint

Mr F complains that Revolut Ltd won't refund the money he lost when he was the victim of a scam.

What happened

In October 2023, Mr F saw an advert online for a cryptocurrency investment company. He followed a link to the company's website, filled in his details and made an initial payment using a credit card he held with another bank. He was then contacted by someone who said they worked as an advisor at the investment company and who talked him through opening accounts with Revolut and a cryptocurrency exchange.

Mr F then received emails which said they were from Revolut and the cryptocurrency exchange, saying he needed to pay money for taxes and to verify his accounts. And as the advisor encouraged him to make the payments and he was told the money would be returned to him once his accounts were verified, Mr F made a number of payments from his Revolut account.

I've set out the payments Mr F made from his Revolut account below:

Date	Details	Amount
4 October 2023	To 1 st payee	£1,000
11 October 2023	To 2 nd payee	£1,500
18 October 2023	To 3 rd payee	£4,500
20 October 2023	To 4 th payee	£4,695
20 October 2023	To 5 th payee	£4,438
24 October 2023	To 6 th payee	£6,722
24 October 2023	To 7 th payee	£3,189
27 October 2023	To 8 th payee	£9,000
27 October 2023	To 9 th payee	£1,000

Unfortunately, we now know the cryptocurrency investment company was a scam. The scam was uncovered after Mr F made these payments but was then asked to make a further payment to release his money. The advisor then also stopped responding to his messages, so Mr F realised he had been the victim of a scam and reported the payments to Revolut.

Revolut investigated but said it had shown Mr F warning messages before he made the payments and didn't think it was at fault for processing the payments he requested. So it didn't agree to refund the money he had lost. Mr F wasn't satisfied with Revolut's response, so referred a complaint to our service.

One of our investigators looked at the complaint. They said Mr F had chosen an incorrect payment reason and misled Revolut when it asked him about the payments. So they didn't think anything we would have expected Revolut to have done would have prevented the scam. Mr F disagreed with our investigator, so the complaint has been passed to me.

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.

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 October 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.

But, even if Revolut had recognised that Mr F was at heightened risk of financial harm from fraud when making some of these payments, I don't think the action I would have expected it to take would have prevented his loss. I'll explain why below.

I'm satisfied Revolut ought to have recognised that Mr F was at heightened risk of financial harm from fraud by at least the point he made the sixth payment. At that point, Mr F had made a number of payments over the past few days to a number of different payees, and the amounts and frequency of those payments appeared to be increasing. And as this is similar to a pattern of payments often seen when customers are falling victim to a scam, I think Revolut should have recognised a risk here.

I think a proportionate response to the risk I think Revolut should have identified would have been for it to ask Mr F a series of questions in order to try to establish the actual scam risk, and then to provide him with a written warning relevant to that risk. But, had it done this, I'm not persuaded that it would have prevented Mr F's loss.

Revolut did ask Mr F questions before several of the payments he made here. It warned him that he may not be able to get the money back if he didn't answer the questions truthfully

and warned that, if someone was telling him to ignore the warnings or prompting him on how to answer the questions, they were a scammer and not to continue.

It then asked Mr F why he was making the payments, and gave him a list of options to choose from. But Mr F selected that the payments were for goods and services, and then specified that he was paying for rent, accommodation, hotel or holidays, despite this not being the case and despite being given the option to say the payment was part of an investment or to pay taxes. Mr F also then selected that he'd checked online reviews for what he was buying and had seen documentation for it, despite these things not being correct either.

So even if Revolut had asked more open-ended or more probing questions to establish the actual scam risk, I think Mr F would likely not have given it accurate information about the purpose of the payment or the circumstances surrounding it – as happened with the questions he was asked. And so I don't think Revolut would have had significant concerns following its questions and I don't think any warning I would have expected it to show following those questions would have stopped Mr F from making the payments or losing the money he did.

I appreciate that Mr F has been the victim of a cruel scam and that my decision will come as a disappointment to him. He has lost a significant amount of money and I sympathise with the position he has found himself in. But I can only look at Revolut's responsibilities and, for the reasons I've set out above, I don't think anything I would reasonably have expected Revolut to have done would have prevented the loss he suffered. And so I don't think it would be fair to require Revolut to refund the money Mr F has lost.

We also expect firms to take reasonable steps to recover the money their customers have lost, once they are made aware of a scam. But, based on what I've seen here, I don't think anything I would have expected Revolut to have done would have led to any more of the money Mr F lost being recovered.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 13 September 2024.

Alan Millward
Ombudsman