

The complaint

Mr G complains that Starling Bank Limited treated him unfairly when he applied for an account with it.

What happened

I issued my provisional decision on this complaint on 9 June 2021. I've set this out below. These were my provisional conclusions, subject to any further comment or evidence I received from either party. I said:

In coming to my provisional decision, I've considered whether Starling treated Mr G fairly taking into account the relevant law, regulations and guidance. I've considered in particular the guidance from CIFAS.

Starling is entitled to undertake checks with credit reference agencies and fraud detection databases for both new and existing customers. That's what it did here because it says the information it found meant it couldn't offer Mr G an account – he didn't meet its risk appetite. Starling specifically mentioned identity and fraud, suggesting it saw something adverse returned on fraud database checks. But based on what I've seen, I don't think Starling treated Mr G fairly. I'll explain why.

CIFAS publishes guidance to its members. It's not clear if Starling is a member but irrespective of this, I think the guidance represents good industry practice. Below are extracts of significant relevance:

"How does the CIFAS database work? Before providing services, goods or finance or when employing a new staff member, CIFAS members can undertake checks against the database. If a CIFAS record is returned as a result of these checks a member must not simply reject an application or close a facility and they are required to carry out further investigation to confirm that the personal data provided on the application is correct."

Further guidance says, "You can ask the organisation to explain why it has declined your application, terminated your employment, or closed your facility and the organisation should provide you with an explanation, including details of any credit reference agencies or fraud prevention services it has used to make a decision"

I asked Starling whether it had asked Mr G about the information it had found. It said it didn't ask Mr G about the circumstances that led to the database markers. By not doing so I don't think it treated him fairly. Without discussing this information with Mr G, Starling didn't give him the opportunity to explain why the information was there and question or clarify Starling's understanding of it, before it made its decision.

Mr G has obtained and provided information from CIFAS (which has been shared with Starling prior to this provisional decision). This shows that the entries on that database relate to protective registration (with him as a victim of identity fraud) rather than him as the party making the applications, which would usually show differently. The information supports

what Mr G told Starling. On the first page it says there's a protective registration. Further down it has four records from different banks. CIFAS have explained below the records the following:

'The first record relates to details provided within an application – the False Identity marker. This includes all the information provided to our member by an impersonator. Generally their true identity is not known, but what is known is the identity that they claim to be and the contact details they have provided'.

So, this would suggest the four occasions (that have been noted) a fraudster had applied for credit using some of Mr G's details and the banks referred it to CIFAS as attempted fraud.

I think if Starling had engaged with Mr G here and made some enquiries, it's possible it might not have made the decision that it did. I say this because I'm satisfied the information doesn't represent what Starling thought it did. I asked Starling to let me have any comments or observations about the information that's recorded on the report. It has acknowledged the loadings suggest Mr G had been the victim of impersonation fraud but as the phone numbers matched it declined the application. But what the information shows is a third party had Mr G's contact details and was using them. And as I have said, it should have asked Mr G some questions to check the loading.

Overall, I think this situation should have been handled better than it was, especially given Mr G had told Starling about the impersonation fraud he'd had. This was a further opportunity to make enquiries. I think Mr G was caused considerable trouble and upset as a result. He's mentioned feeling anxious and concerned and being made to feel like a fraudster but not understanding why. Having read what Mr G has said I think this was very upsetting for him.

I think it's only fair that Starling put things right by recognising the impact this situation had on him. Mr G has told us that he already had an account elsewhere, so I think in terms of not getting an account with Starling any inconvenience wouldn't have been material. But I do feel Starling's actions lead to significant distress and anxiety. So, I intend to direct it to pay £400 compensation to recognise this and send a written apology.

Mr G responded to say he had nothing further to add. Starling didn't respond with any evidence or new arguments.

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.

As neither party had anything further to add I see no reason to depart from the conclusions set out in my provisional decision. In summary, I don't think Starling treated Mr G fairly. It didn't make any enquiries to check the information its checks had unearthed. I believe had it done so, it's possible it might not have made the decision that it did because the evidence shows the information related to a protective registration.

Mr G made efforts to engage with Starling to understand what had happened and he told it he had been the victim of fraud in the past. Starling's handling of the situation wasn't in line with good industry practice, specifically guidance published by CIFAS and I'm satisfied Mr G experienced significant upset as a result.

My final decision

So, my final decision is that I uphold this complaint and direct Starling Bank Limited to:

- Send Mr G a written apology for what happened; and
- Pay him £400 compensation for the distress this matter caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 27 July 2021.

Sarita Taylor
Ombudsman