

The complaint

Mrs B complains that Starling Bank Limited (“Starling Bank”) didn’t reimburse a cash withdrawal that she says didn’t dispense correctly.

What happened

Mrs B is a customer of Starling Bank. In September 2021, she says she tried to withdraw money from a cash machine. The cash machine was connected to a third-party bank branch. She says she attempted to withdraw £130, but the machine only gave her £70. She noted at the time that the orientation of one of the notes given was different to the rest.

Mrs B says she checked her Starling Bank app and it told her she had withdrawn the £130 she initially wanted. So, Mrs B says she spoke to the branch manager at the third-party bank who told her she needed to contact her own bank.

Mrs B says she contacted Starling Bank through the online chat function on her app. She says Starling Bank told her she needed to wait 8 days and if the transaction hadn’t corrected itself by then, she could contact them back and they’ll raise a chargeback. Mrs B did so and £60 was later credited into her account.

In October 2021, Starling Bank told Mrs B that based on the information they received they think the cash was dispensed correctly. And so, they debited her account of the £60.

Mrs B complained to Starling Bank. Starling Bank explained that due to the evidence provided by the machine operator, which was also shared with Mrs B, they had exhausted all options available to them through the MasterCard chargeback scheme. They say they explained to Mrs B at the time that the merchant had 45 days to contest the refund through the chargeback scheme.

Mrs B, unhappy with Starling Bank’s response, referred her complaint to our service. Our investigator found that Starling Bank didn’t need to do anything further. She explained that having reviewed the machine operator’s report, it shows the remaining funds within the machine after Mrs B’s transaction. The investigator believed it to be reconciled and doesn’t show any remaining funds within the machine. So, she concluded that she hadn’t seen any evidence to suggest the cash machine hadn’t completed the requested transaction of £130 correctly.

The investigator also found that Starling Bank had acted fairly when responding to Mrs B’s chargeback request.

Mrs B, unhappy with the investigator’s view, requested for it to be reviewed by an ombudsman. So, the complaint was passed to me to decide on.

I issued a provisional decision on 27 May 2022 where I explained why I intended to uphold Mrs B’s complaint. In that decision I said:

“Here, the main dispute is whether the cash machine dispensed the correct amount of cash. The Payment services regulations say that, “it is for the payment service provider to prove that the payment transaction was authenticated, accurately recorded, entered in the payment service provider’s accounts and not affected by a technical breakdown or some other deficiency in the service provided by the payment service provider.”.

So, the main question I need to consider is whether the cash withdrawal did or didn’t process correctly.

I’ve considered the information provided by Starling Bank. Starling Bank has provided information they received from the machine operator, and they have also shared this with Mrs B. This shows the withdrawal Mrs B made. It shows a withdrawal of £130 was made. It also shows the amount of money that was in the cash machine right before Mrs B’s withdrawal and how much was remaining straight after her transaction. It suggests the amount remaining was £130 less.

But this information on its own isn’t enough for me to say that the transaction processed correctly and with no errors.

Through the investigator, I’ve asked Starling Bank for additional information, including whether any cash was found in the cash machine’s purge bin and whether the machine balanced at the end of the day. A purge bin is a container within the cash machine where returned cash is held until the machine is reviewed by a technician. Starling Bank said it did not reach out further to the cash machine provider as they believe the evidence provided was satisfactory and would not be required to give purge bin information. I also asked them to confirm whether there were any reported issues with the cash machine around the time of the transaction in question. Starling Bank responded saying the only error they could see was an “Auth Declined” due to issuer, but they believe this was not on the transaction being disputed about.

Having reviewed the information Starling Bank relied on, I can see the “Auth Declined” is in relation to an attempted transaction moments after Mrs B’s transaction. The attempted transaction matches the same card used in Mrs B’s transaction and it was for £60.

Mrs B says the machine dispensed £70. She says she noted at the time the orientation of one of the notes dispensed was different to the rest (portrait, instead of landscape). She says that when she received her dispensed money, she assumed she might have incorrectly requested the wrong amount and so placed her card back into the machine to withdraw an additional £60, but was told she had insufficient funds. The attempted withdrawal for an additional £60 corroborates the information Starling Bank had provided. Mrs B says she raised this with the third-party branch manager of the bank the cash machine was attached to, and was told she needed to contact her own bank.

I’ve seen nothing to suggest that the machine was tampered with in any way. And in any case, this seems unlikely as Mrs B received some funds from the machine. A cash trap, or similar, would likely collect all the dispensed cash, not a portion.

Starling Bank has confirmed Mrs B has not made similar claims previously.

I’m persuaded by Mrs B’s testimony. The information suggests Mrs B attempted to withdraw the same amount which is in dispute moments after the transaction. She recollects the orientation of one of the notes not being in line with how notes dispense normally from a cash machine. And Starling Bank hasn’t provided evidence to suggest Mrs B has made similar claims previously.

With all this in mind, I don't think Starling Bank acted fairly here. I accept it's possible that things happened as Starling Bank believes it did. But, the regulations say it is for the payment services provider to prove that the payment transaction occurred correctly and was not affected by a technical breakdown or some other deficiency. From the information Starling Bank have provided, I'm not satisfied they have been able to prove the transaction occurred correctly here. And in any event I'm looking at what is fair and reasonable. On balance, I think it's more likely that the cash didn't dispense correctly."

I set out what I intended to instruct Starling Bank to do to put things right. And I gave both parties the opportunity to send me any further information or comments they wanted me to consider before I issued my final decision.

Responses to the provisional decision

Mrs B didn't respond to my provisional decision.

Starling Bank responded and said they agree to settle the complaint in line with my provisional 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.

As Starling Bank agreed with my provisional decision and Mrs B didn't respond, I see no reason to depart from its conclusions.

Putting things right

For the reasons I've explained, I'm not satisfied that Starling Bank had a reasonable basis to hold Mrs B responsible for £60 of this disputed payment. It should:

1. Refund Mrs B with the further £60 of this disputed withdrawal.
2. Pay simple interest of eight per cent per annum on the refund in (1) from the date of the debit to the date of settlement.

My final decision

My final decision is that I uphold this complaint and Starling Bank Limited should put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 11 July 2022.

Ronesh Amin
Ombudsman