

## **The complaint**

Mr T complains that Starling Bank Limited blocked and closed his account. It returned some funds back to source and delayed returning other funds to Mr T. He also received wrong information from Starling, and they were late with documents he requested. Starling registered his details with CIFAS the UK's fraud alert service. He wants the funds refunded and the CIFAS marker removed.

## **What happened**

Mr T had an account with Starling.

On 13 October 2021 Mr T received a number of payments into his account which totalled £34,900.

The sender of the money who I will refer to as X raised a dispute with his bank. As a result, Starling restricted Mr T's account.

Starling asked Mr T for proof of entitlement of funds on 21 October 2021.

Mr T provided some text messages between himself and X as well as an Uber receipt to evidence he was at the location.

Mr T was told that he could have access to his account on 28 October 2021. Starling later said they had given Mr T the wrong information and his account was still under review and therefore he couldn't access the funds in the account.

The money was sent back to X, on 16 December 2021. Mr T is unhappy this money was returned to X as he says it was a legitimate payment.

The balance in the account totalling £20,500 was returned to Mr T on 6 January 2022 by cheque.

Mr T's account was closed with immediate effect on 6 January 2022.

Mr T made a data subject access request (DSAR) on 11 January 2022. He has told us Starling didn't comply with the time frames and were late in sending him the information. Starling accepted they were delays in responding to his DSAR and offered £100 in compensation for the delay in sending the correspondence and the statements.

On 12 February 2022 Starling registered Mr T with CIFAS. Mr T is unhappy he wasn't notified of this. He also thinks the marker is unfair because he says he was entitled to the payment as they were genuine transactions.

Mr T has told us that Starling's actions have caused him a great deal of stress and his mental health has suffered as a result.

Mr T has also told us that Starling failed to keep him informed and clarify matters to him even when he had asked. He wasn't happy that they had prevented a friend making a

payment to him and had also questioned his immigration Visa status.

Mr T complained to our service one of the investigators looked into the complaint. He partially upheld it. He said:

- Starling were entitled to review the account and block the account pending their review.
- Starling were entitled to close the account in line with the terms and conditions.
- Starling weren't justified in loading Mr T to CIFAS and asked Starling to remove the marker. He awarded Mr T £250 for the inconvenience this caused.
- Starling had done nothing wrong when they returned the funds to source as Mr T hadn't been able to satisfy Starling that he was entitled to the funds.
- Starling had delayed providing Mr T with the DSAR documents and £100 was reasonable compensation.
- He couldn't comment on Mr T's allegation that Starling had prevented his friend from making a payment to Mr T.
- Starling could legitimately ask Mr T about his Visa status as banks need to keep up to date information on its customers.
- Although he accepted that Starling may have delayed in communicating with Mr T or given him wrong information. He didn't think this had a significant impact on the outcome of their investigation and whether they returned funds to source.

Both Mr T and Starling were unhappy with the view.

Starling disagreed that the CIFAS marker should be removed. Mr T disagreed that Starling did nothing wrong when they returned funds to B.

As there was no agreement the matter has come 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.

Mr T has made a number of quite detailed submissions. I've considered all of these, but I don't consider it's necessary to address each and every point that Mr T has made in order to meet my statutory duty to determine his complaint. I'm required to do that with minimum formality, and so I'll address the issues that I consider to be the most important. I do stress however that I've considered everything that Mr T and the bank have said before reaching my decision.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains information about other customers or security information. Some of the information Starling has provided is information that we considered should be kept confidential, so I won't be sharing this with Mr T.

### *Review, block and closure of the account.*

I'll start by setting out some context for the review of Mr T's account. UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. This applies to both new and existing relationships. These obligations override all other obligations. I am satisfied Starling were complying with these obligations when they reviewed Mr T's account.

Starling was informed on 13 October 2021 that Mr T might not be entitled to funds received into his account. I would expect Starling to act in the way they did by reviewing and blocking the account, so I don't think they have acted unfairly here.

I can see that in blocking the account the bank was following an internal process which they carried out in order to comply with their legal and regulatory obligations. This was a legitimate exercise so I can't say Starling was unfair.

Mr T's account was closed with immediate effect on 6 January 2022.

I've considered whether Starling acted fairly in closing Mr T's account. I've looked at the terms and conditions of his account and I'm satisfied they did. The terms and conditions outline that the bank can close a customer's account with two months' notice, and in certain circumstances they can close an account immediately. In this case Starling closed Mr T's account without notice. For Starling to act fairly here they needed to meet the criteria to apply their terms for immediate closure – and having looked at these terms and all the evidence, I'm satisfied that the bank has applied the terms fairly. And it was entitled to close the accounts as it's already done.

### *Returning funds to source*

Mr T is very unhappy that £34,900 was returned to source.

Mr T has said the services agreed to between himself and X were delivered by him. Mr T has provided text messages to evidence X had agreed to transfer the funds voluntarily to Mr T. Mr T has also said X transferred him the money on 13 October 2021 because he was trying to impress Mr T.

I have looked at the information Mr T has provided as well as the submissions he has put forward. Mr T has mentioned his contract with X was an oral contract, but it was still an agreement that is legally binding. I am aware oral contracts can be binding on both parties. Unfortunately, Mr T cannot provide sufficient evidence to show a legally binding contract existed between him and X and that X is in breach of that contract by withholding payment. I am not able to conclude from the evidence provided to me Mr T is entitled to the money which was transferred from X's account. In order for me to direct Starling to refund these funds to Mr T I would need to be satisfied the funds are Mr T's and I'm not able to conclude that on the evidence before me.

### *Returning remaining funds to Mr T*

Mr T had to wait until 6 January 2021 to have his funds returned to him. I have therefore looked to see if Starling caused a delay. Having looked at the evidence I'm satisfied that they didn't. And although I appreciate how frustrating this was for Mr T I won't be asking Starling to do anything here.

## *CIFAS*

On 12 February 2022 Starling registered a CIFAS marker against Mr T.

Mr T has told us he is unhappy that the marker was registered, and he thinks he should have been given notice of this. As the investigator has explained Starling are not under an obligation to give Mr T notice of their intention to register a CIFAS marker.

The investigator has set out in the view the grounds that must be met for a CIFAS marker to be registered correctly and I don't plan to set these out here again.

I have reviewed the evidence provided by Starling to conclude that the funds were fraudulent and that Mr T in this case was deliberately dishonest. I am not satisfied the evidence provided is clear and rigorous enough to warrant a CIFAS marker. I also don't think it's clear in the circumstances whether Mr T committed a financial crime. His story that there was a legitimate arrangement between Mr T and X is plausible, and he has provided text messages that support this.

It follows I don't think Starling have discharged the burden to register a marker against Mr T and I will be asking them to remove it. The investigator awarded £250 in compensation for the distress caused to Mr T. I agree this is in line with our awards in these circumstances and I don't see any reason for changing it.

## *DSAR*

Mr T made a DSAR to Starling. There was a delay in providing Mr T with the documents he requested. Starling have agreed to pay Mr T £100 in compensation for this delay and I am satisfied that this is a reasonable amount, so I won't be asking them to pay any more.

## *Service issues*

Mr T has said that Starling have questioned his Visa status, not replied to Mr T and his solicitors requests and have given him incorrect information regarding the block on his account.

Mr T has also mentioned that Starling prevented his friend from paying money into his account. As the investigator mentioned this is a complaint that could be brought by his friend to our service but isn't something that I can comment on as part of this decision as the complainant isn't Mr T.

Starling are obliged to hold up to date information about their customers, so I don't think they were acting unfairly when they requested information about Mr T's Visa status.

Mr T has raised various issues regarding communications with Starling. I know Mr T was particularly concerned that Starling had made a decision to unblock his account and allow him access to his funds and then a day later changed their mind. I have looked at the evidence and I'm satisfied that Starling hadn't concluded their review at that stage, and they merely gave mistaken information when they told Mr T he would have access to his funds. The mistake was corrected quickly so I can't see that it adversely impacted Mr T.

Mr T has told us his mental health has suffered as a result of this complaint. So, I have gone on to consider the impact that Starling's actions had on Mr T.

I appreciate that over the course of this period Mr T has been unhappy and stressed with the situation and Starling's shortcomings in relation to how and when it has communicated with

him. However, when looking at this as a whole I think Mr T was caused the normal type of stress that results from an account being reviewed, blocked and closed. I agree that Starling could have done better. I know Mr T was concerned about the CIFAS marker, but I think the main issue that has adversely affected Mr T is the loss of £34,900 that he is adamant belongs to him. I have already said it isn't possible for me to conclude on the balance of probability that Mr T was entitled to these funds so I can't ask Starling to return these to him or compensate him for depriving him of the funds or the stress he has suffered as a result of the loss of the funds.

### **Putting things right**

In summary I appreciate Mr T will be disappointed with my decision but for the reasons mentioned above I partially uphold the complaint. Starling should remove the CIFAS marker and pay Mr T compensation of £250. They should also pay compensation of £100 for the delay in providing Mr T with the DSAR documents.

### **My final decision**

For the reasons mentioned above I partially uphold this complaint. I direct Starling Bank Limited to:

- Remove the CIFAS marker and pay Mr T compensation of £250.
- Pay Mr T £100 compensation for the delay in providing the DSAR documents.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 22 September 2022.

Esperanza Fuentes  
**Ombudsman**