DRN-3608814

The complaint and what happened

Mr D complains Starling Bank Limited won't reimburse in excess of £100,000 he lost when he fell victim to an investment trading scam.

Our investigator upheld the complaint. She was satisfied Starling ought to have intervened when Mr D made his fifth payment towards the scam, as it was unusual and uncharacteristic for the account. She asked it to reimburse losses from that point. However, she also found that Mr D was partly responsible for his loss as he didn't carry out sufficient due diligence before deciding to invest and so reduced compensation by 20%.

Mr D agreed the outcome, but Starling didn't. It said Mr D continued paying cryptocurrency exchanges following it issuing its final response about the scam, and so it doesn't believe an earlier intervention would have prevented the loss. It also doesn't agree it should pay interest at business account rates, as the business account which Mr D transferred money in from, before 'investing', is held with a different provider.

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.

Although I have only summarised the background above, I have read and considered what's been provided. Having done so, I agree with the investigator's conclusions for the following reasons:

- Mr D authorised the transactions. Whilst he didn't intend for the money to go to scammers, he is initially presumed liable for the loss. There doesn't appear to be any dispute he's been scammed – there was a warning about the 'trader' published on the regulator's website shortly after Mr D started making payments.
- Starling is aware of our approach of expecting it to have been monitoring accounts to counter various risks, have systems in place to identify unusual transactions or other indicators that its customers were at risk of fraud; and in some situations, make additional checks before processing payments or declined them altogether to protect customers from possible financial harm from fraud or scams.
- Mr D transferred money in from his business account (that he's a director of) before making the payments to a crypto-exchange. Prior to the first payment Mr D only used the account a couple of times a month and didn't make many payments out and when he did, they were for generally less than £1,000. Although the earlier payments of between £3,000 and £5,000 were an increase on the usual spending, I also agree such increases aren't necessarily unusual, particularly when spaced out. However, when Mr D made the payment of £6,000 for crypto assets, it was the second substantial payment and one of four that day, to the same crypto-currency exchange. That was a significant departure from the previous operation of the account such that Starling's systems ought to have triggered an alert and the payments paused pending further intervention – such as making enquiries or giving a scam warning.
- Had Starling carried out its due diligence and duties and asked Mr D about the payments, I have no reason to doubt he would have explained what he was doing. It

could have provided information about the steps a customer can take to ensure, as a far as is reasonably possible, they are dealing with a legitimate trader. And it could have drawn on its knowledge about the high-risk associated with trading with crypto-assets, the potential for fraud and provided a scam warning. Had it done so, I'm satisfied Mr D would have looked into the opportunity further and likely would have come across the regulator's warning for himself. I'm satisfied a warning from Starling would likely have exposed the scam and caused Mr D to stop investing, thereby preventing the further loss of just over £85,000.

- I am aware Mr D continued to pay the 'trader' even after Starling had looked into the scam and declined reimbursement. And I think Starling makes a fair point when questioning whether an intervention from it would have stopped Mr D from making further payments. I have thought about this carefully. And whilst that might have been a lapse of judgment, I understand it was also an act of Mr D desperately trying to get his money back. That wasn't the situation when he was initially investing, and an intervention much earlier on would likely have meant he hadn't fallen so far under the scammers spell, such that a conversation with his trusted bank would have made the difference.
- I agree that Mr D is also partly responsible for his loss. Although having invested before, it doesn't appear he carried out much due diligence before deciding to part with his money, even when being persuaded to invest more and more. And given the substantial sum invested, its reasonable to expect independent research to be carried out, over and above just reading reviews. I agree a reduction of 20% is reasonable.
- Starling questions applying interest at the rate applicable to the business account Mr D transferred money in from before investing. But had it intervened as I find it ought to have, then it's likely that money would have stayed in the business account.

My final decision

My final decision is I uphold Mr D's complaint. I require Starling Bank Limited to reimburse Mr D £68,372.00 representing 80% of his losses from the fifth disputed payment. I also require it to add interest at the business account rate from the date of the payments to date of settlement, less any lawfully deductible tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 16 September 2022.

Claire Hopkins
Ombudsman