

The complaint and what happened

Miss V complains Starling Bank Limited won't reimburse money she lost when she fell victim to a scam.

The full details of this complaint are well known to both parties, so I won't repeat them in full here. Instead, I'll recap the key points and focus on giving the reasons for my decision:

- Miss V was looking to rent a property. She found one through an online classified ad company and reached out to the private landlord. They sent her pictures and other information about the property. After expressing her interest in viewing the property, the landlord told Miss V that he was conducting a group viewing for 17 prospective tenants. But also said that if anyone was willing to pay a deposit, they'd take the property off the market.
- Miss V was willing to pay the deposit but not until paperwork was sent through. A tenancy agreement and deposit form were sent. The rental agreement explained that a month's rent - £630 - was required as a deposit and rent was payable a month in advance. Miss V sent £1,260 to the landlord; with an agreement she would pick the keys up a few days later. However, when Miss V arrived at the property, the landlord didn't show up and didn't reply to any of Miss V's attempts to contact them. It was then she realised she'd been scammed and reported it to her bank that morning.
- Starling declined to reimburse Miss V as it said she hadn't done enough to establish there was really a property for rent, including viewing it. Our investigator upheld the complaint as she was satisfied Miss V had a reasonable basis for belief in who and what she was paying for and so she was due reimbursement under the Lending Standard Board's Contingent Reimbursement Model (CRM). Starling disagreed as it still didn't think Miss V had done enough but was willing to offer to refund the deposit but not the first's months rent (and it felt Miss V had had a choice in paying it).
- Miss V declined the offer and the investigator stood by her outcome, and so the matter has been referred to me for review and determination.

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.

Having done so, I agree with the conclusions reached by the investigator for the following reasons:

- The CRM says customers who are victims of authorised push payment fraud should be reimbursed except in limited circumstances. Those exceptions relevant here are:
 - The customer ignored an effective warning in relation to the payment being made.
 - The customer made the payment without a reasonable basis for believing that:
 - The payee was the person the customer was expecting to pay
 - The payment was for genuine goods or services; and/or
 - The person or business with whom they transacted was legitimate.

- If I'm satisfied Miss V had a reasonable basis for belief, then under the CRM she is entitled to a full reimbursement of her loss. And it isn't enough for Miss V to believe she was paying a legitimate person or business for genuine goods or services, she had to have a reasonable basis for belief.
- Starling has made several arguments as to why Miss V didn't do enough to establish the offer was genuine. It said she didn't take steps to verify the landlord was really a landlord, a genuine landlord wouldn't pressure someone into renting a property, she agreed to rent the property without visiting it, the tenancy agreement still had 12 months and not six months to run, she paid the deposit to the landlord when it's supposed to go the deposit guarantee scheme and she only needed to pay the deposit and not anymore.
- Miss V found the rental offer in some classified ads, and the landlord was a private landlord not operating through an agency. I'm not quite sure what steps Starling think Miss V could have taken to check if the person was really a landlord. Although it has argued the landlord pressured Miss V, having read the messages, they simply stated a number of people were interested and anyone paying the deposit in advance could secure the property. This isn't quite the same as pushing Miss V to make a decision really quickly by pretending someone else was making a deposit or someone was about to sign a contract, for example. I accept that Miss V herself might have felt the need to act quickly, as she didn't want to lose the property, but I'm not persuaded the landlord pressured her per se. I accept Miss V didn't view the property, but since the pandemic it has become quite common for properties to be rented without being seen first, particularly as there was a shortage in the rental market and prospective tenants were offering over and above rental fees to secure properties. Even to this day, there are regular articles in the media about the shortage of rental properties and that many viewings are virtual, or not at all. I'm not persuaded any of this means Miss V didn't have a reasonable basis for belief that the offer was genuine.
- I accept the rental agreement was for 12 months in the contract, but I can also see that Miss V asked for this to amended to six months. I'm not persuaded this ought to have alerted Miss V to something being wrong. Starling has also raised the issue of the deposit and first month's rent being paid, when it wasn't required, and also that she paid the landlord the deposit when it should have gone to the guarantee scheme. According to gov.uk the landlord or letting agent should put the deposit in the scheme within 30 days of it being paid. And although Miss V only needed to pay the deposit for the property to be taken off of the market, the tenancy agreement required a deposit and for rent to be paid a month in advance. This is very common when renting. So I'm also not persuaded these arguments mean Miss V didn't have a reasonable basis for belief either.
- I have noticed the person paid didn't have quite the same name as the landlord, although it was very similar. Miss V was given bank details with an initial and surname although it appears she must at some point, have been given the first name as well, as this appears in the payee information provided. But I'm not persuaded this of itself, or in conjunction with what else I have considered, means Miss V ought to have been alert to something being wrong or that she wasn't paying a legitimate person for genuine goods or services.
- Although accepting Miss V could have done more – as can most customers – overall I'm not satisfied Starling as established she didn't have a reasonable basis for belief that she was paying a legitimate person for genuine goods or services. It follows that I'm not persuaded the exception for reasonable basis for belief applies to Miss V, such that Starling can choose not to reimburse her.
- Finally, I note that Starling has referred to Miss V indicating she had visited the property, when asked questions about the purpose of the payment, when it was being made. Miss V answered yes, but that was a mistake, as she hadn't. I accept Starling may very well have provided a warning had it known that Miss V hadn't

actually seen the property. But as I have found Miss V had a reasonable basis for belief, this doesn't affect her entitlement to a refund under the CRM.

My final decision

For the reasons given, my final decision is that I uphold Miss V's complaint. I require Starling Bank Limited to:

- Reimburse £1,260 to Miss V (less any funds since recovered, if any); and
- It should add 8% simple interest per year to that sum from the date it declined to reimburse Miss V, to the date of settlement (less any lawfully deductible tax).

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss V to accept or reject my decision before 25 April 2023.

Claire Hopkins
Ombudsman