

## The complaint

Mr F complains Starling Bank Limited (“Starling”) didn’t reimburse the money he lost when he was the victim of an ‘authorised push payment’ (“APP”) scam.

## What happened

Both parties are aware of the circumstances of the complaint, so I won’t repeat them all here. But briefly, Mr F was the victim of a scam. Mr F (along with his partner) were looking to replace their elderly mother’s boiler. Mr F’s partner posted on to a well-known social media website business / community group for the local area and was recommended a firm.

Mr F and his partner entered into discussions with this firm. To Mr F and his partner everything seemed normal. They explained the plumber sounded technical and knowledgeable and knew what they were doing. They exchanged pictures of the boiler and what type of boiler was required and also the takeaway of the existing boiler was arranged. Mr F and his partner were quoted a reasonable price for the job. The price was to be around £2,000 with Mr F paying £500 as a deposit up front and the remainder in cash on the day the work was to be carried out.

On 21 September 2021, Mr F made a faster payment of £500 from his account with Starling as a deposit for the job.

The very next morning, Mr F received an email advising that the company had ceased trading and the work couldn’t be carried out. Mr F was then unable to obtain a refund from the plumber. Mr F tried pursuing the matter with the plumber – who returned two amounts of £50 and £30 on 27 September 2021 and 25 November 2021 – which Mr F considered was an attempt to delay or prevent any legal pursuit.

Mr F reported the matter to Starling and to see if he could recover his funds. Starling contacted the Receiving Firm, (the bank where the funds were sent to) – but ultimately received a response advising no funds remained that could be recovered.

Starling also considered whether Mr F was entitled to reimbursement under the Lending Standards Board Contingent Reimbursement Model CRM Code (the “CRM Code”) which it is a signatory of.

The CRM Code requires firms to reimburse customers who have been the victims of APP scams in all but a limited number of circumstances. Starling, while accepting Mr F was the victim of a scam, said one or more of those exceptions applies in this case. It said Mr F 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 that the person or business with whom they transacted with was legitimate. In short, Starling considered Mr F didn't carry out sufficient checks to make sure it was a legitimate business.

One of our Investigators looked into the complaint and thought it ought to be upheld. The Investigator didn't believe Starling had fairly assessed Mr F's claim under the CRM Code. They didn't agree that Starling had been able to establish Mr F made the payment without a reasonable basis for believing the business with whom he transacted with was legitimate.

Starling disagreed and asked for an ombudsman's decision. So, as the matter hasn't been resolved it has been passed 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.

Having done so, I am satisfied that:

- Under the terms of the CRM Code, Starling should have refunded the money Mr F lost. I am not persuaded any of the permitted exceptions to reimbursement apply in the circumstances of this case.
- In the circumstances Starling should fairly and reasonably refund the remaining money Mr F lost (that being £420).
- Starling should also pay interest on the balance not yet refunded at a rate of 8% simple per year. This interest should apply from the date Starling first declined to refund Mr F under the CRM Code, to the date of settlement.

As I've said above, the CRM Code requires payment service providers to reimburse customers who have been the victims of authorised push payment (APP) scams, in all but limited circumstances. If Starling declines to reimburse its customer in full, it is for Starling to establish one, or more, of the listed exceptions set out in the CRM Code itself. Those exceptions are:

- where in all the circumstances, 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 that the person or business with whom they transacted with was legitimate; or
- the customer ignored an 'effective warning' by failing to take appropriate steps in response to that warning.

There are further exceptions within the CRM, but none of these are applicable here.

After having carefully considered all of Starling's submissions, I'm satisfied that Starling has not shown that Mr F made the payment without a reasonable basis for believing that the business with whom he transacted with was legitimate. I will go on to explain why I have reached this finding.

*Did Mr F have a reasonable basis for belief when making the payment?*

Mr F and his partner were looking to replace their elderly mother's boiler. They reached out on a social media community group and were recommended a firm. I consider this to be perfectly reasonable in the circumstances. It is not uncommon, and many consumers place weight on a recommendation from either friends and family or through local groups on social media websites from people that have used trades people before.

And at this point, I think it is vitally important to point out that people don't want or expect to be scammed. Mr F (through his partner) had received a recommendation of a firm and having contacted the plumber were satisfied that everything seemed normal. The plumber sounded knowledgeable and from looking at the correspondence between the parties nothing seems untoward. Details about the job that needed carrying out, images of the boiler that needed replacing and discussions around the work were had.

It isn't uncommon for the trade industry to ask for some funds upfront or a deposit. And it isn't uncommon for self-employed people to use personal accounts. So I don't think anything untoward stood out to Mr F (and his partner) at the time of making the payment. And certainly not to an extent that they should reasonably thought that they were at risk of anything or that things seemed suspicious.

I'm also mindful that the price of the job wasn't unusual or low and not to an extent that it could be said something was untoward. And also, when making the payment – the account name matched that of who Mr F was dealing with. It was also a deposit with the larger portion of payment to follow. So I don't think Mr F would have reasonably had any concerns at the time of making the payment.

I don't think it was unreasonable for Mr F to not have thought much beyond this – such as carrying out any further additional checks.

Overall, I don't consider that Mr F had any reason to think the plumber wasn't legitimate and was intending on defrauding him by taking money and not fulfilling the work. The fact that Starling can think of things Mr F could have done with the benefit of hindsight does not mean that Mr F did not have a *reasonable* basis of belief when making the payment at the time.

All things considered, I'm satisfied Mr F had 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 that the person or business with whom they transacted with was legitimate.

And I'm also satisfied that Starling hasn't established any of the permitted exceptions to reimbursement apply here. While Starling provided a warning during the payment process – it only suggested to verify the payee – which wouldn't have been a concern to Mr F given Mr F at the time, thought he was liaising with a legitimate plumber – and the name of payee matched. I'm also mindful that the warning advised Mr F to visit Starling's scam website for scam advice. Given Mr F thought he was liaising with a legitimate plumber I can't say that this would have had a material effect on preventing the scam.

Overall and on balance, I'm not persuaded that Starling has shown that Mr F lacked a reasonable basis of belief for making the payment, or that he ignored an effective warning. It follows that Starling should reimburse Mr F for the losses he suffered.

## **My final decision**

For the reasons outlined above, I've decided it is fair and reasonable to uphold Mr F's complaint about Starling Bank Limited. I therefore require Starling Bank Limited to pay Mr F:

- The balance of the money lost through this scam, being the sum of £420; and,
- 8% simple interest per year on that amount calculated from the date Starling Bank Limited originally declined Mr F's claim under the CRM Code until the date of settlement. †

*† If HM Revenue & Customs requires Starling Bank Limited to take off tax from this interest, Starling Bank Limited must give Mr F a certificate showing how much tax it's taken off if he asks for one.*

I direct Starling Bank Limited to pay compensation, as set out above, within 28 days of receiving notification of Mr F's acceptance of my final decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 23 December 2022.

Matthew Horner  
**Ombudsman**