

## **The complaint**

Mr and Mrs R complain that Starling Bank Limited didn't honour a regular payment set up on their account.

## **What happened**

Mr and Mrs R had a regular monthly payment set up on their joint account to pay their council tax. A payment of £113 was due on 18 October 2021. But Starling didn't honour the payment. It said there was insufficient funds in the joint account when the payment was processed.

Mr and Mrs R say they didn't realise the payment hadn't been made until they received a letter from the local council chasing the missed payment. Mr R complained to Starling pointing out that he had a regular monthly transfer set up on his personal account (also with Starling) to the joint account. And that transfer was received into the joint account on 18 October 2021 to cover the payments being debited that day.

Starling responded to Mr R's complaint. It said that Mr and Mrs R needed to ensure they had sufficient funds in the joint account the day before any payments are due to be paid – and on this occasion there wasn't enough money in the account to cover the council tax payment. It added that it had sent Mr R two messages. The first – sent on 17 October 2021, reminded Mr R that he needed sufficient funds in his account by Midnight to cover the council tax payment due the next day. The second - sent on 18 October 2021, notified Mr R that the payment had failed. So, it didn't uphold the complaint.

Unhappy with the response, Mr and Mrs R referred the complaint to this service. One of our investigators looked into it. Ultimately, he upheld the complaint. He said the way in which Starling processed payments was out of Mr and Mrs R's control. And he thought it was harsh that Starling hadn't paid the council tax payment when a credit payment was processed minutes later. He recommended that Starling pay Mr and Mrs R £100 compensation for the inconvenience caused.

Mr and Mrs R didn't accept this recommendation. Mr R said £200 was a fairer amount. Starling agreed to pay Mr and Mrs R £100. But it didn't agree that a higher compensation payment was due.

As agreement couldn't be reached, the complaint has come to me to reach a final 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.

Having done so, I've reached the same overall outcome as the investigator. I appreciate Mr and Mrs R will be disappointed as I can see how strongly they feel that Starling's system is at fault, so I'll explain why.

It's not in dispute that Mr and Mrs R didn't have sufficient funds in their account on 17 October 2021 – the day before the council tax payment was due. And I've seen that Starling sent a message to Mr R on 17 October 2021 which said *'your payment to RVBC for £113 is due. Add money before midnight to make payment'*.

Mr R hasn't disputed receiving the message. Rather, he says he didn't think he needed to do anything as he had a payment set up on his personal account to transfer funds to the joint account on the 18 October 2021. And I can appreciate why Mr R thought he'd done enough to ensure there were sufficient funds in the joint account.

Unfortunately, the way Starling's system worked at the time meant payments due out of an account are processed before any payments due in – hence, the message sent on 17 October 2021 asking for a payment to be made by midnight.

Generally speaking, this service can't comment on a bank's processes – we aren't the regulator. But I'm satisfied Starling's process is an automated one with no human intervention. And at the point the council tax payment was processed there wasn't sufficient funds in Mr and Mrs R account. So, I can't say Starling did anything wrong here.

Mr R says he wasn't aware the payment hadn't been made until he received an arrears letter from the council. But I've seen that Starling sent Mr R a second message on 18 October 2021 which said *'Your payment to RVBC for £113 failed because you have insufficient funds'*. And Mr and Mrs R subsequent account statement didn't show the payment as having been made.

So, while Mr and Mrs R had been expecting a credit payment to be credited to the joint account, I'm satisfied that Starling did enough to put them on notice that the council tax payment had failed. And I'm persuaded this should have prompted them to contact the local council to make the payment that was due by other means.

But, like the investigator, I do have some empathy with Mr and Mrs R in this situation – particularly, as the credit to the joint account Mr R had arranged was processed within minutes of the payments out. And both the credit into the account and the payment out were regular monthly payments and this problem hadn't occurred before. Starling has now also recognised this by accepting the investigator's recommendation to pay compensation of £100.

Overall, I think this amount fairly recognises the impact this incident had on Mr and Mrs R. Starling did enough to make them reasonably aware the payment hadn't been made and they have since made the payment that was always due to the council and no further action was taken. So, I won't be asking Starling to increase the compensation payment it has agreed to make.

### **My final decision**

For the reasons given above, I uphold Mr and Mrs R complaint. Starling Bank Limited should now pay them £100 compensation if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs R to accept or reject my decision before 29 December 2022.

Sandra Greene  
**Ombudsman**