

The complaint

Ms C is unhappy with how Starling Bank Limited ('Starling') handled a payment they suspected she made as part of a scam.

What happened

On 5 November 2021, Ms C attempted to make a bank transfer of £3,000 to a friend (who I'll refer to as P) who lives overseas. The payment was being made via a money remittance service.

Starling say the payment triggered as unusual activity on Ms C's account. As a result, they put the payment on hold and contacted Ms C to find out more information about the purpose of the payment.

As part of their first call with Ms C, Starling was given the following information about the payment:

- It was being made to a friend (P) who lives in another part of the world.
- Ms C had initially met P on a holiday around five or six years prior, when they were both on the same holiday tour.
- They chat every now and then using Whatsapp and it was regular but with no set frequency.
- They had made plans for Ms C to visit P the prior Christmas (2020), but Ms C hadn't been able to go. Ms C hoped to go for Christmas 2021, but it was unclear if she would be able to.
- P wasn't someone Ms C regularly sends money to, but she was going to send a further payment a few days later, of just under £3,000.
- The money was a gift or a loan (Ms C provided both as the reason for the payment), but she expected it to be repaid at some stage. P is an artist and would be showing her work and Ms C thought the funds would help with that. But, it was really just to help P as she had a lot of money stolen from her a couple of years prior.
- P didn't ask for this money, Ms C just offered it.

Ms C explained to Starling that she wanted to help P out financially in the shorter term and was happy to do so - saying she wasn't under any pressure to make the payment.

Starling also asked why Ms C had transferred money from an account held at another bank, into her Starling account, before transferring it on to P – rather than just sending the funds directly from the other bank account. Ms C explained that Starling was her day-to-day account and that she held the other bank account because she could go into one of their branches to deposit cheques.

At the end of the call Starling told Ms C they needed to make further checks before they would release the payment, saying they would contact Ms C with an update – which hopefully would be later that day. Ms C highlighted to Starling that she needed the funds to go the same day, to secure the exchange rate. She explained that if the payment wasn't released that day (being a Friday), the money remittance service wouldn't forward the funds until the following Monday and at that day's exchange rate.

As a result of the information Ms C gave them during the call, Starling were concerned that she may be making the payment as the result of a scam. So, they initiated the Banking Protocol asking the police to visit Ms C. They also restricted Ms C's account so she couldn't make any withdrawals or transfers until they were satisfied that she wasn't the victim of a scam.

Starling chased the police for an update about their meeting with Ms C, but the police didn't respond until 6 December 2021. Based on the police's response, Starling were satisfied that Ms C wasn't the victim of a scam and removed the restriction from her account that day.

Ms C was unhappy with Starling's handling of the situation, including; their assumption that she was the victim of a scam, her inability to talk to anyone about the restriction placed on her account and the repeated assurances that someone would call her back – when no one did. So, Ms C raised a complaint with Starling.

Starling considered the points Ms C had raised and partially upheld her complaint. They told Ms C they had a responsibility to keep her money safe and had rejected her payment due to the risk they attached to it. They said it was usual practice to restrict an account while their investigation was happening and that it was in line with their terms and conditions. But, they agreed that the level of service Ms C received fell short of their usual standards, saying they should've responded to her queries and messages in a more timely manner.

As Ms C was dissatisfied with Starling's response, she brought a complaint to our service. Ms C told us Starling should've apologised and paid compensation once they realised she wasn't making the payment as part of a scam.

An investigator looked into Ms C's complaint and recommended that Starling pay Ms C £150 in compensation. They agreed that Starling should've called Ms C as agreed, and failure to do so had caused her distress and worry. However, the investigator felt Starling had acted reasonably in contacting the police based on their concern that Ms C may've been at risk of financial harm. Also, it wasn't unreasonable that Starling stopped the payment and restricted Ms C's account until they'd received assurance from the police that Ms C wasn't at risk.

Ms C responded to the investigator's view saying she agreed with the £150 compensation in relation to the missed call backs. But she disagreed with the overall outcome, raising the following points:

- She doesn't agree that Starling ought to have flagged this payment as unusual activity.
- She doesn't agree there were signs of a scam in the information she gave to them – saying she had met P in person and had been in regular contact for a few years.
- Starling was wrong to not allow her to make transfers from her account during the time they were investigating their concerns.
- Starling asked nosey and intrusive questions about her relationship with P and misjudged the situation.

- The police turning up at her home in the dark and completely unexpectedly caused her extreme distress.
- Staff at Starling weren't honest with her, and the fraud team accused her of being part of a romance scam, which caused distress.
- When it became clear there was no scam, instead of apologizing and offering compensation Starling suggested she contact our service.
- Starling's processes and procedures are more important to them than their customers.

As Ms C didn't agree with the investigator's opinion, the case was passed to me to review.

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.

Did Starling act reasonably in reaction to Ms C's payment request?

When Ms C made the payment of £3,000, it triggered with Starling as being unusual activity on her account. Based on the amount of the payment and Ms C's previous account activity – I don't think that was unreasonable. And, where Starling identifies a payment as unusual or out of character, I would expect them to take steps to ensure the customer isn't at potential risk of financial harm. In this case, Starling called Ms C and asked her questions to clarify the purpose of the payment and to try and identify if Ms C may be making the payment after falling victim to a scam.

Ms C says she clearly wasn't the victim of a scam – especially not a romance scam as implied by Starling. But, based on the answers that Ms C gave Starling, I don't think it was unreasonable for them to assume Ms C may've been the victim of a scam. I say this because often fraudsters will befriend someone and build a relationship over a period of time before asking them for money. They can also ask for payments to be split into smaller amounts to prevent them triggering banks' fraud detection systems. And will often give an emotive reason for needing the money, for example; ill health of a family member, theft, threats to their person or due to an emergency. Also, fraudsters often coach victims on what to tell the bank, to get a payment released or prevent it from being stopped.

It was unclear how the agreement for Ms C to send money came about. Ms C said that P didn't ask for it, she had just offered it. But there must have been some conversation to initiate Ms C offering money to P – and this wasn't clear in her conversation with Starling. I know Ms C referred to P being an artist and the money helping her with a show of her artwork. But, combined with the information that it could've been a loan or a gift, I can see why Starling had doubts. Also, while Ms C had met P in person initially, she hadn't seen her in person again – although I accept that may've been due to Covid restrictions. As well, Ms C was sending an initial payment, with a second payment being made a few days later. Added to that, Ms C referred to P having lost money as part of a theft a few years prior.

Overall, I'm satisfied that the answers Ms C gave Starling were sufficiently close to what they might see in the case of a scam victim, that they had a reasonable basis on which to have concerns and stop the payment until they were satisfied that Ms C wasn't at the risk of financial harm.

I appreciate that Starling restricting Ms C's account inconvenienced her. However, scam victims are often so "under the spell" of the scammer that if the bank stops the payment,

they'll transfer the money to another bank to try and make the payment anyway. So, by restricting Ms C's account Starling were trying to prevent her from potentially losing her money by transferring it elsewhere so she could still send it to P.

In this case Starling called the police and asked them to contact Ms C and check if she had been the victim of a scam. I appreciate that Ms C may see that as an extreme action to take, and that it is likely to have been concerning to have the police turn up at her home unexpectedly. However, Starling don't have traditional high street stores and operate online, so couldn't arrange for Ms C to talk to their staff face-to-face to allay their concerns – so I don't think it was unreasonable that they took this action in the circumstances.

Also, I realise that it took four weeks for the police to provide Starling with an update, which delayed the restrictions being lifted from Ms C's account. But Starling did chase the police for an update. And I don't think it was unreasonable that they waited for their response before unrestricting Ms C's account.

So, while I appreciate that Ms C may've been inconvenienced and upset by Starling being concerned she might be the victim of a scam when she wasn't, and by them taking steps to prevent her accessing funds in her account while they investigated their concerns – I'm satisfied that the actions Starling took were reasonable in these circumstances. And I can't fairly make an award against them on that basis.

The level of customer service Ms C received from Starling

Although I think Starling took reasonable steps in trying to protect Ms C and her funds, I think they fell short in the service they provided in relation to promised call backs to Ms C.

I've listened to the calls Ms C had with Starling, and it's clear that she received several promises of call backs that didn't happen. Ms C was even asked for times when she would be available for a call, but a call still didn't happen. Most of these happened on the day that Ms C's payment was stopped, and before she knew why the payment had been stopped or whether it would be released. So Ms C was already concerned about why the payment was stopped and this inability to talk to the relevant staff added to her distress.

I appreciate that Ms C feels Starling should've apologised to her and offered her compensation when she first raised her concerns with them. She also feels Starling referred her to our service unnecessarily and as a way to deny any responsibility. However, I can't make an award based on Starling not offering her an apology or compensation after reviewing her complaint. Our service is here to provide an informal mediation service where customers don't agree with a business' response to concerns they've raised, and we don't make awards because the business reached a different outcome than we ultimately do.

I also can't fairly make an award against Starling because the police visited Ms C in the dark and unannounced, even though she says it caused her extreme distress. Because I'm satisfied that Starling acted reasonably in making the referral to the police in the first place.

I understand that Ms C wants substantial compensation for the distress she says Starling caused her, but I'm not satisfied that Starling acted unreasonably other than in relation to the missed call backs. On that basis, I think Starling should pay Ms C £150 in compensation.

Putting things right

To put things right Starling Bank Limited should pay Ms C £150 in compensation.

My final decision

My final decision is that I uphold this complaint against Starling Bank Limited and require them to compensate Ms C as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 4 January 2023.

Lisa Lowe
Ombudsman