

## **The complaint**

Ms C complains that Starling Bank Limited did not do enough to help her after she fell victim to a scam.

## **What happened**

In November 2021, Ms C fell victim to a bank impersonation scam and lost over £42,000. She sent money from her Starling account and from her account held with another bank. The other bank refunded all the money Ms C sent from that account within seven days. But Starling did not agree to refund Ms C's loss. Starling was only able to recover a total of £255.14 from the bank Ms C paid, leaving her over £14,000 out of pocket.

In the initial aftermath of the scam, Ms C had no choice but to borrow money from family and friends to pay her bills and due expenses that she could no longer cover. She's explained that losing the money caused a significant amount of worry as it was meant to pay builders for ongoing renovation work. She's highlighted that Starling didn't respond to requests for short term financial help and didn't provide any support to enable her to meet essential day to day living costs.

Ms C made a complaint about Starling's decision. She pointed out that Starling is a signatory to the Contingent Reimbursement Model Code (The CRM Code) and had seen the same facts as her other bank, so it could not be right that Starling had reached a different conclusion when applying the same principles.

Starling issued its final response in December 2021. It said it had sufficient fraud protection measures in place and in this case, Ms C did not conduct enough checks to verify the information she was being told before sending the money. It agreed that it should have done more when Ms C asked for support but didn't say what it could have done or how it could have helped.

Ms C did not accept the bank's position and asked for the complaint to be considered by this service. When Starling provided its complaint papers, it explained that it had since re-assessed Ms C's claim and had refunded the remainder of her loss on 17 February 2022.

Our Investigator contacted Ms C to discuss the developments in the case. Ms C confirmed she wished to continue with the complaint. She pointed out that Starling did not uphold its duties under the CRM Code and did not accurately review the information she'd provided about what happened.

She said Starling did not have any different information when it assessed things again so felt the decision to decline the claim initially was either an internal oversight or a deliberate attempt to avoid refunding the money. She explained it had taken a significant amount of time away from work to compile the information to make her claim to Starling which had an impact on her financially as she is self-employed. She explained she dealt with at least six different members of staff across a number of chat threads and was not convinced the bank had read the information she'd provided fully. She describes the customer service she received as "*chaotic*" and was concerned that other customers that didn't have the time, ability or knowledge to go through this process were losing out.

Our Investigator considered these points and agreed Starling should have taken more care when reviewing the details of the claim, highlighting that Ms C had provided substantial documentation explaining things right at the outset. He thought the financial difficulties Ms C had described would have been relieved sooner if Starling had refunded her initially as he thought it ought to have done. He didn't think what Starling had done since went far enough to put things right. He said that Starling should have paid 8% simple interest on the £14,450 Ms C sent from 22 November 2021 until the settlement date because it did not do enough to challenge the out of character payments she was making. He was persuaded that appropriate intervention at the time would have uncovered the scam and stopped her from sending any more money. He also recommended that Starling should pay £300 compensation for its errors and handling of the investigation.

Starling agreed it would settle the case in line with these recommendations. Ms C didn't agree the proposals went far enough. She said the compensation didn't seem proportionate to the points of failed customer service. She thought the compensation should reflect the damages caused. She explained how stressful it was not having the money needed to fund imminent expenses and highlighted her loss of earnings whilst compiling the case. She said that if the bank had acted appropriately as soon as the incident began, she would not have needed to spend hours pursuing the matter. She suggested that a figure of at least £2,000 would be a fairer reflection of the financial impact this matter has had.

As no agreement could be reached, the complaint has now been referred 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.

I'm aware I've summarised this complaint in less detail than has been provided and largely in my own words. No discourtesy is intended by this. Instead, I've focused on what I think is now at the heart of the matter here, which is deciding whether the recommendations our Investigator proposed go far enough to put things right.

In this case, there's no debate that Starling made a mistake. It misunderstood the facts when it assessed Ms C's claim, reaching the wrong outcome as a result and delaying the time taken for her to receive redress due. But I've not seen anything that makes me think this was a deliberate ploy from Starling to avoid paying the redress, I think it is more likely than not that its staff member became confused because of the involvement of two different banks in the scam and transposed details. Although Starling has since mitigated some of Ms C's financial loss by refunding the funds that were lost in full, I've thought about how the bank's handling affected her financially, practically and emotionally.

Ms C has explained she incurred indirect costs and losses, highlighting specifically her loss of earnings caused as a direct result of taking time away from work to try and deal with matters.

Our service wouldn't usually look to award compensation specifically for someone's time or calculate it based on a daily occupational rate because one person's time isn't worth more than another's. And I'm also mindful that lost income would not have been reasonably foreseeable to Starling when Ms C was scammed. I'm not persuaded that it ought to have predicted Ms C would have to take time away from work as a direct result of the fraud. So, I don't think it would be fair for me to ask Starling to compensate her for the loss in income. But I have thought about the additional inconvenience Ms C experienced because of spending time dealing with this matter.

Assessing compensation for non-financial losses like distress, inconvenience, and pain and suffering isn't an exact science. There's no set award or formula to decide the level of compensation which would be appropriate. But when considering an award in respect of the impact on Ms C, I need to carefully consider the impact of Starling's actions or inactions, not those of the other parties involved here. Most significantly, this means attempting to discount the actions of the fraudster, who was ultimately the party who perpetrated this fraud on Ms C and, as such, was the direct cause of her losses and the subsequent impact.

If Starling had acted as I think it should have done, I agree the impact on Ms C would have been lessened. Ms C had never been in this situation before. It was an overwhelming time and Starling was not empathetic to the worries and concerns she had in the immediate aftermath of the scam. But I do not consider the bulk of the impact caused by the fraudster's deception and the impact of the scam itself would have been prevented or nullified. It would be disproportionate for me to attribute that impact to Starling solely – even on the basis that it is the only party I am potentially able to hold to account.

It's disappointing that Starling made a mistake when it first considered Ms C's claim. I can appreciate Ms C's concern that other Starling customers may have been caused detriment by having claims turned down incorrectly. But I'm not a regulator and I have no power to fine or punish Starling for its conduct. In my role, I can only consider whether Starling has treated Ms C fairly and reasonably.

There is no doubt that Starling's actions at an already difficult time amplified the impact of the loss of the money and made a bad situation worse. Although the prompt action from Ms C's other bank would have most likely eased the financial burden on her to some extent, she was still without a significant amount of money for around three months, which would not have been easy. It is appropriate for Starling to compensate Ms C for being deprived of those funds because she was out of pocket and did not have the money available to use. Our Investigator recommended that Starling should pay 8% simple interest on the money from when the first payment was rejected until the date it paid the settlement. Starling agreed that it would be willing to do this and I think that is fair and reasonable in all the circumstances here.

I am sorry to read about what happened to Ms C. I've thought very carefully about everything she's said about how this experience has been for her. There's no doubt that Ms C has been through a very stressful and upsetting time and that the way Starling handled this matter has compounded those difficulties. But taking everything into account, and thinking about the share of the impact reasonably attributable to Starling here, I consider an award of £300 is a fair and reasonable way for the bank to recognise that its actions have caused Ms C to suffer some distress and inconvenience that could have otherwise been avoided.

### **Putting things right**

If it has not already done so, Starling Bank Limited should now pay:

- 8% simple interest on the £14,450 from 22 November 2021 to the date of settlement

which was 17 February 2022

- £300 compensation to acknowledge the distress and inconvenience that Ms C was caused

### **My final decision**

My final decision is that Starling Bank Limited should now pay the compensation I've outlined above if it has not already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 16 March 2023.

Claire Marsh  
**Ombudsman**