

The complaint

Miss Z holds a current account with Starling Bank Limited. In December 2023, a fraudster contacted her pretending to be her boss. The fraudster fooled her into buying six electronic giftcards from a well-known chain of shops by saying they were for an incentive scheme for other staff. Miss Z bought the giftcards using her account with Starling.

As the whole thing was fraudulent, Miss Z thinks Starling should have stopped her buying the giftcards. She complained to it directly that it hadn't, and it refunded her half the money she had lost. But she doesn't think this was fair. She thinks Starling should have refunded her the full amount the fraudster stole.

What happened

The fraudster contacted Miss Z using her work email account, which made it look to her as if the message had genuinely come from her boss. Miss Z's employer is an international company, and her boss is normally based outside of the United Kingdom. So, the fraudster's request for Miss Z to buy the giftcards seemed reasonable to her.

Miss Z used a Starling Bank debit card to buy the giftcards. She made two separate payments of £300 each. The giftcards went to an account or "*wallet*" the fraudster controlled. Miss Z made the two payments within half an hour of each other.

The chain of shops identified Miss Z's payments as possible fraud and alerted her to the risk. She then contacted Starling. After an internal investigation, Starling said it wasn't responsible for Miss Z's total loss, but agreed to refund her £300, which I understand it sent to her several weeks ago.

One of our investigators has already looked into Miss Z's complaint and didn't recommend that Starling should give her any more money back. Miss Z didn't accept the investigator's recommendation and asked for her complaint to be reassessed. So, it has come to me as an ombudsman to make 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.

There is no dispute that Miss Z used Starling's usual procedures when she bought the giftcards and passed all its usual security arrangements. By doing so, she authorised and instructed Starling to make the payments for her.

While banks are normally expected to act on their customers' instructions, they also have a role to play in trying to stop fraud. At the time of this fraud, I think it would have been fair and reasonable for Starling to be looking out for unusual payments, or unusual patterns of payments, in the way its customers were using their accounts. And if it saw anything

suspicious, I would have expected it to check with the customers concerned to find out if they really wanted to go ahead.

Starling didn't make any checks with Miss Z before it processed the two payments. So, the crux of this complaint boils down to whether the payments were sufficiently unusual to mean that it should have intervened. Miss Z certainly thinks they were. She has told us that making two payments of £300 within half an hour was "*abnormal*" for her. She has supported her point by questioning why Starling didn't spot potential fraud when the chain of shops did.

I can't consider the actions of the chain of shops, only those of Starling, although I appreciate that the shops' warning may well have helped Miss Z.

I've looked at Miss Z's bank statements and I can see that although she used her account frequently, £300 was noticeably higher than her usual transactions. However, the payments went to a well-known firm, were not of exceptional value, and there was nothing else to suggest they were fraudulent. I don't think it would be reasonable for me to say that Starling should have intervened for the first payment. However, it's certainly plausible that with the second payment an unusual pattern may have been developing.

Starling has also told us that although it didn't make any detailed checks with Miss Z about either payment, it did send her warnings before she authorised them. It's told us the warning said "*Has someone called you and asked you to use this screen? If so, tap 'Reject'. It's a scam and you could lose money*".

I do not consider such a generic warning to be particularly powerful, but it also seems to me that Miss Z should probably have done more to check for herself if it really was her boss asking her to buy the giftcards. And although not powerful, the scenario in Starling's message bore some resemblance to what the fraudster was trying to do. So, I think that Starling's refund of £300 (equivalent to the value of the second payment and half of the total loss) is adequate and appropriate compensation for any failure in not making a more powerful intervention for the second payment.

Miss Z has also said that Starling took too long to respond to her complaint and provided a "*poor service*". She wants it to pay her additional compensation for this.

While I accept that Starling may have been slow in responding to some phone calls Miss Z made, or failed to phone her back when it said it would, I think the refund it has already made is adequate to cover the distress and inconvenience this may have caused.

In some fraud cases, banks can recover a customer's money from the payee's account, and some debit card payments are protected by a scheme known as "*chargeback*" which banks can use to reclaim a customer's money. I don't think Starling tried either of these options for Miss Z. But in the precise circumstances of her loss, I don't think either would have succeeded. (In outline: I don't think it would have been feasible for Starling to recover Miss Z's money from the *giftcard wallet*, not least as it's highly likely the fraudster spent the giftcards very quickly. And, as the chain of shops delivered the goods Miss Z bought, albeit they went to the fraudster, chargeback probably wouldn't have applied). Even if Starling didn't try to recover Miss Z's money, I don't think it would be fair for me to tell it to pay Miss Z any compensation for not doing so.

So, in summary, I don't think Starling needs to pay Miss Z any more compensation, as I think it has already paid her adequate redress for any shortcomings. I would, however, like to express my heartfelt sympathy to Miss Z for what happened to her at the hands of the

fraudster. As well as causing financial loss, frauds can be deeply upsetting, and I understand Miss Z has suffered a lot of stress as a result of the fraudster's action. I sincerely hope she never has to face such an awful experience again.

My final decision

For the reasons I have set out above, I am not upholding Miss Z's complaint about Starling Bank Limited. I am not going to tell it to give her any more money back.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss Z to accept or reject my decision before 7 May 2024.

Steve Townsley

Ombudsman