

The complaint

Mr M complains that Starling Bank Limited won't refund the money he lost after he fell victim to an Authorised Push Payment (APP) scam.

What happened

The background to this complaint is well known by both parties, so I won't repeat it here. But in summary I understand it to be as follows.

It doesn't appear to be in dispute that Mr M fell victim to a scam when trying to recover money from a previous fraud he had fallen victim to. This resulted in him making two payments, for £7,200 each, in November 2020, to an account which was held with Starling.

Mr M complained to Starling as he thought it had violated its principles by authorising these transactions. Starling looked into Mr M's complaint, but didn't uphold it. In summary it didn't think it was liable to refund Mr M the money he had lost, this was because it was satisfied that all the appropriate checks and requirements had been carried out when the beneficiary account had been opened. Starling also confirmed it had done everything it could to get Mr M's money back.

Starling did recognise that it didn't respond to Mr M's complaint as quickly as it ought to have done. Because of this it offered Mr M £150 as compensation for the trouble and upset caused.

Unhappy with Starling's response, Mr M brought his complaint to this service. One of our Investigator's looked into things but didn't recommend that it be upheld. In summary, he didn't see anything in the account opening or account activity that he thought ought to have given Starling cause for concern. Alongside this, he was satisfied that Starling had taken appropriate actions when it was notified of the scam. Mr M didn't agree with our Investigator's view, so the complaint has been passed to me for 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.

First, to clarify, this decision focuses solely on the actions of Starling – as the receiving firm of the account where Mr M made his payments to.

I'm sorry to disappoint Mr M but I'm not upholding his complaint about Starling. I know he has been the victim of a cruel scam, but I don't believe Starling has acted unfairly or unreasonably in its answer of the complaint. I'm satisfied Starling has met its requirements under the Contingent Reimbursement Model (CRM Code) and therefore isn't liable to refund Mr M the money he has sadly lost. I'll explain why. Among other things, regulated firms receiving payments like Starling, are required to conduct their 'business with due skill, care and diligence' (FCA Principle for Businesses 2) and to comply with legal and regulatory anti-money laundering and countering the financing of terrorism requirements.

Those requirements include maintaining proportionate and risk-sensitive policies and procedures to identify, assess and manage money laundering risk – for example through customer due diligence measures and the ongoing monitoring of the business relationship (including through the scrutiny of transactions undertaken throughout the course of the relationship).

And, more generally given the increase in sophisticated fraud and scams in recent years, as a matter of good industry practice at the time, I think firms should reasonably have had measures in place to detect suspicious transactions or activities that might indicate fraud or financial abuse (something also recognised by the Banking Standards Institute's October 2017 'Protecting Customers from Financial harm as a result of fraud or financial abuse – Code of Practice').

And I'm satisfied that this good practice requirement meant not just looking out for situations where a customer might be the victim of fraud, but also situations where the customer might be the perpetrator of fraud or a money mule.

Also relevant in this case, as mentioned earlier, is the CRM Code that Starling has signed up to. The relevant considerations for Receiving Firms under the CRM Code sets out the following:

"CRM Code: Payment Journey – Receiving Firm

SF2 Receiving Firms should take reasonable steps to prevent accounts from being used to launder the proceeds of APP scams. This should include procedures to prevent, detect and respond to the receipt of funds from APP scams. Where the receiving Firm identifies funds where there are concerns that they may be the proceeds of an APP scam, it should freeze the funds and respond in a timely manner.

Prevention

SF2(1) Firms must take reasonable steps to prevent accounts being opened for criminal purposes.

Detection

SF2(3) Firms must take reasonable steps to detect accounts which may be, or are being, used to receive APP scam funds.

Response

SF2(4) Following notification of concerns about an account or funds at a receiving Firm, the receiving Firm should respond in accordance with the procedures set out in the Best Practice Standards."

In considering all of the above, and to determine if Starling met the standards required of it under the CRM Code, I have looked at whether Starling opened the receiving account correctly, whether there was anything in the way the account was being used that should have given it any cause for concern and finally; once notified of fraud did it act appropriately and in a timely manner. And if I consider there were failings in relation to any of the above, I have to consider whether Starling's acts or omissions fairly resulted in Mr M's loss.

I would like to point out to Mr M at this point, that while Starling has provided our service with information about the receiving bank account – it has done so in confidence. This is to allow

us to discharge our investigatory functions and Starling has provided that which is necessary for the determination of this complaint. Due to data protection laws our service can't share any information about the beneficiary, the receiving bank account or any investigation and action Starling subsequently took. However, I would like to assure Mr M, I have thoroughly reviewed and considered all the information provided before reaching my decision.

I'm satisfied Starling correctly opened the account that received Mr M's funds. I've seen a copy of the application form and what corresponding documentation it requested in support of the account opening process. I don't think Starling reasonably could have known at that time, that the account would later go on to be used in connection with an alleged fraud or scam.

I've considered whether the activity on the receiving bank account ought reasonably to have caused Starling any concern and I've looked at the account history for the beneficiary account. I can't say there was any account activity that I think would reasonably have stood out to Starling as suspicious or significantly outside of what might be expected for an account of that type.

I'm also satisfied there was no notification of fraud on the account prior to the payments Mr M made into the account. Alongside this, I'm not persuaded there were any other red flags where it could reasonably be argued that Starling might have had sufficient grounds to suspect fraud and refuse execution of their customer's payment instruction. For Mr M's benefit, Starling wouldn't have known that the incoming credit to the account was as a result of fraud and that its account was being used fraudulently. Personal and business accounts receive incoming credits, and in this case, I think it is reasonable to say that there was nothing to indicate to Starling that there was anything suspicious going on with the beneficiary account. It follows that I don't think Starling ought reasonably to have had concerns where I would have expected it to have intervened, so I can't fairly say that it could have prevented Mr M's loss.

I've thought about Starling's response when it was notified of the scam. The Best Practice Standards set out that a Receiving Firm must take appropriate action, in a speedy manner, upon notification of APP fraud and notify the Sending Firm if any funds remain for recovery. Here, once notified of the scam, I'm satisfied Starling took the necessary actions required of it to try and recover the money and did so in a timely manner. Unfortunately, no funds remained in the account that could be recovered as they had already been moved on / withdrawn from the account. So, taking the above into consideration I'm satisfied, following notification of APP fraud, that Starling responded in accordance with the procedures set out in the Best Practice Standards.

Starling did recognise it made an error in not responding to Mr M when he first raised his complaint and in recognition of this offered Mr M £150 in compensation. This is consistent with the amount I would have recommended that Starling should pay for this error, so I don't think it would be fair or reasonable for me to ask it to increase this offer.

Overall, while Mr M was the unfortunate victim of a scam, I'm satisfied that Starling met the standards required of it under the CRM Code. I also don't think Starling could've done anything more as the Receiving Firm to have prevented the loss of Mr M's money. And it responded appropriately once notified of the fraud. So, it follows that I don't think Starling is liable to reimburse Mr M for his loss under the CRM Code or otherwise.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 3 June 2025.

Stephen Wise
Ombudsman