

The complaint

Miss S complains that Starling Bank Limited won't refund the money she lost after falling victim to a scam.

Miss S is represented in this complaint by a solicitor. For simplicity I will refer to Miss S throughout this decision, even when referencing what her representatives have said on her behalf.

What happened

In late 2021 Miss S was contacted on social media by someone who appeared to have similar interests to her, I'll call this person X. Miss S struck up a friendship with X, chatting with them regularly online. At some stage, X began to ask Miss S for money, it seems this may have initially been in the form of gift cards, but in March 2022 Miss S was asked to pay £1,000 to help X to pay her bills. Miss S says she felt pressured to help, so she sent £1,000 to the account X asked her to pay – an overseas account in a third parties name – but X then said they needed more money to clear their debt. Miss S therefore made another payment to this account, for £1,020, the next day.

Miss S says that X then told her she had a friend who was involved in cryptocurrency investment and who could help Miss S to make money. Miss S decided to get involved and opened a cryptocurrency account to facilitate payments to the scheme.

Over around 18 months Miss S made over 200 payments relating to this investment, these appear to have been mostly either direct to her own cryptocurrency account or to buy cryptocurrency via the peer-to-peer market. Unfortunately, and unknown to Miss S, X was not legitimate, all the payments were made as part of a scam.

Miss S' mother had been lending her money, but ultimately realised that Miss S was likely being scammed. It appears though to have taken some time for Miss S to be convinced that X was not her friend and that she would not be receiving any profits from her supposed investment.

Miss S ultimately did contact Starling about the scam payments, and it looked into what had happened. Starling acknowledged it had provided Miss S with some poor service regarding the time taken to look at her concerns – and paid her £150 compensation to recognise that – but did not feel it should be held liable for her loss. It noted that the disputed payments were not covered by the CRM Code, and said that they had not been unusual in the context of Miss S' account usage.

One of our Investigators looked into this complaint, and the also considered that the payments Miss S had made were not unusual enough to have merited any particularly detailed intervention from Starling. They also noted that Miss S had not been entirely honest when she was questioned about some of the payments, and that from what we know about her relationship with X it was unlikely any proportionate intervention from Starling could have

prevented the scam. So, they did not think that Starling could have prevented these payments and therefore did not consider it should be liable for Miss S' loss.

Miss S disagreed with the investigator's opinion. So, as no agreement could be reached, this case has been passed to me for a 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'll explain why.

The Lending Standards Board Contingent Reimbursement Model (the CRM code) is a voluntary code which sets out a number of circumstances in which firms are required to reimburse customers who have been the victims of certain types of scam. Starling is a signatory to the Code. However, the payments Miss S made from her Starling account were either international payments, card payments, or payments to buy cryptocurrency (whether on the peer-to-peer market or via her own cryptocurrency account) and the Code does not apply to those kinds of payment.

So, in this case, the relevant regulations are the Payment Service Regulations 2017. Those regulations state that an account holder is liable for payments they have authorised. And there is no dispute here that Miss S did authorise the payments made to the scam. That means Miss S responsible for those payments, and that remains the case even though Miss S was the unfortunate victim of a scam.

Because of this, Miss S is not automatically entitled to a refund. But the regulatory landscape, along with good industry practice, also sets out a requirement for account providers to protect their customers from fraud and financial harm. And this includes monitoring accounts to look out for activity that might suggest a customer was at risk of financial harm, intervening in unusual or out of character transactions and trying to prevent customers falling victims to scams.

Taking the above into consideration, I need to decide whether Starling acted fairly and reasonably in its dealings with Miss S, or whether it should have done more than it did.

However, considering the value and nature of the payments, in the context of Miss S' account, I don't think there was anything that should have flagged to Starling that they might represent a significant risk of financial harm. I therefore don't consider that the scam payments merited any more detailed intervention than Starling had already carried out.

Specifically, the first large payments Miss S made to the scam were the two international payments to a third party on 21 and 22 March 2022. Starling did stop the first of these payments, warned Miss S to be on the lookout for anyone telling her how to answer questions about the payment, and then asked what it was for. Miss S said she was making a payment as a gift to a family member or friend who she had met face to face. We now know this was not entirely accurate, Miss S had never met X face to face. I appreciate that £1,000 is a lot of money for Miss S, but in the context of the payment Starling would see every day, I would not consider this an unusually large payment, and so I'm satisfied this level of intervention was appropriate given what Miss S told Starling about the payment. Starling carried out similar interventions when Miss S made other payments to new payees, and it received similar answers, I don't think what Starling was told in those interactions would

have caused it any particular concern, or merited it intervening in a more direct way, given the value of the payments Miss S was making.

I acknowledge that Miss S did go on to make a very large number of payments to the scam, but many of those were for low amounts – it was rare for a single payment to be over £1,000 – and the payments were generally spread out over an extended period of time. There did come a stage where Miss S began to make larger payments, closer together, but by that time it appears that she had been making payments to the payee accounts for a long period of time, establishing a pattern of regular payments to well-known payees. So, it would have taken something very out of the ordinary – such as a very significantly large payment - to have indicated that this established pattern was a scam rather than just being the way Miss S used her account.

And in any case, as noted by our investigator, Miss S appears to have been somewhat under the scammers spell. Miss S' mother has told us that there came a point in the scam when she was telling Miss S she had been scammed but Miss S was unwilling to accept it, so it does appear that Miss S was very convinced by X's claims. Given that Miss S considered X a friend, it's difficult to see how Starling could have broken that spell if Miss S' own family was unable to.

With all this in mind, I do not consider Starling missed an opportunity to intervene more thoroughly in these payments, and even if it had, I don't think I can fairly say it would have been able to prevent Miss S from going ahead with the payments she made. So even though I accept Miss S was the victim of a cruel scam, I don't think Starling could have reasonably done anything to prevent her loss and I'm satisfied its decision not to refund the money she lost to the scam was fair.

I note what Miss S has said about her vulnerabilities, and don't doubt that she has been through a very difficult period. But it is only under the CRM Code that an individual's vulnerability would be taken into account when considering a scam claim like this, and as explained above, the CRM Code does not apply in this case.

I've gone on to consider whether Starling could have done more to try to recover the money Miss S lost once it was clear that Miss S had been the victim of a scam. But given that the payments appear to have been largely used to buy cryptocurrency, I don't think Starling could have done anything to retrieve those funds.

I appreciate that this will be very disappointing for Miss S, but with all I've seen I don't consider that I can fairly say Starling should be held liable for her loss or that it could have done more to recover her funds. And I'm satisfied the £150 it has paid to her for delays was appropriate compensation in the circumstances, so I won't be asking it to do anything more.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 13 March 2025.

Sophie Mitchell
Ombudsman