

## The complaint

Mr C complains that Starling Bank Limited (“Starling”) failed to refund a failed cash machine transaction.

## What happened

Mr C explained that he tried to withdraw £10 from an automated teller machine (ATM). Mr C went on to say the ATM was poorly lit and when the funds were due to be dispensed by the ATM, he noticed a device was covering the cash dispense slot. Mr C didn’t receive his £10.

He took pictures of the ATM and contacted Starling about the issue. They temporarily refunded the £10 while they investigated what had happened. Because they weren’t the operator of the ATM, they sent a request to the bank who did operate it.

That bank sent information about the transaction and believed the £10 had been successfully withdrawn. The audit data also showed there was an error relating to the cash being dispensed and it then went out of service shortly afterwards.

Starling believed the evidence showed a successful transaction and took back the temporary refund. Mr C complained about the decision to take the funds back. Starling looked again into the issue and concluded that the evidence showed the transaction was successful. They told Mr C *“The ATM was very dimly lit and a device is not apparent.”*

Mr C remained unhappy with Starling’s response and brought his complaint to the Financial Ombudsman Service for an independent review. An investigator was assigned to the complaint and asked both parties for information about the issue.

Mr C was able to confirm what happened and provided copies of the photographs he took at the time. Starling provided details of the investigation which included a copy of the audit data received from the ATM operator.

After reviewing the evidence, the investigator concluded that there was a problem with the withdrawal, and it likely had a device fitted to it which interfered with the transaction. They didn’t believe Starling had been able to show the transaction was operating appropriately and recommended they refund Mr C the £10 and add interest.

Mr C accepted the review, but Starling didn’t respond. As no agreement could be reached, the complaint has now 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.

Starling have relied on the MasterCard chargeback scheme to process Mr C’s dispute. This is a process that enables card issuers to challenge payments such as the one raised by Mr C. The Payment Service Regulations 2017 (PSRs) are also relevant to Mr C’s complaint.

They say that:

**75.—(1) Where a payment service user—**

*(b) claims that a payment transaction has not been correctly executed,*

*it is for the payment service provider to prove that the payment transaction was authenticated, accurately recorded, entered in the payment service provider's accounts and not affected by a technical breakdown or some other deficiency in the service provided by the payment service provider.*

What that means for this complaint is that Starling are required to show the transaction wasn't affected by a breakdown or other deficiency.

Having reviewed the photographs, it's not entirely clear what's meant to be a legitimate part of the ATM's design or whether there's a foreign device attached to it. Cash trap devices are sophisticated and designed to look like a part of the ATM. So, I can understand why Starling thought there was nothing attached to it based solely on the photographs.

But, the audit data shows there was a problem when the cash was dispensed, relating to an issue with the timing of the cash when it was presented. A further error relating to the cash being retracted (back into the ATM), followed by a further "CDM error". Shortly after, the ATM then went out of service.

Taken together with Mr C's belief that there was a device attached to the ATM, I think it's more likely than not the ATM wasn't operating properly and had some deficiency.

So, on balance, I think Mr C's withdrawal was affected by the ATMs operation and Starling have failed to meet the requirements of S.75. I think it's both fair and reasonable for Starling to refund the £10 to Mr C. including an interest payment for the loss of use of his funds.

### **My final decision**

My final decision is that I uphold this complaint against Starling Bank Limited and in order to settle the complaint, they're now required to:

- Refund £10 to Mr C.
- Pay interest at 8% simple per annum from the date of the transaction to the date of repayment.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 27 December 2024.

David Perry  
**Ombudsman**