

The complaint

Mr H complains that Starling Bank Limited blocked and later closed his account, and returned his funds to source. He'd like the funds returned and compensation for the impact.

What happened

Mr H had an account with Starling.

On 23 March 2024 Mr H received three payments into his account of £6,100, £5,000 and £900. These payments were from two separate payees I'll call S and K.

Soon after receiving the funds Mr H attempted to transfer them out. But Starling blocked the payments and his account.

They contacted Mr H and asked him about the reason for the above three payments, and two earlier payments out of Mr H's account on 17 and 20 March 2024.

Mr H explained that on 17 and 20 March 2024 he purchased cryptocurrency. Then on 23 March 2024 he sold USDT, a form of cryptocurrency, – and the three payments were received for this. The evidence Mr H shared showed conversations with an intermediary.

Starling also asked Mr H about his account activity. He explained that he tried to move the money out quickly to another one of his accounts because that account was used for his everyday spending.

On blocking Mr H's account Starling contacted the sending banks – I'll call Bank M and Bank N. Bank N advised Starling that they had no concerns regarding the payments of £5,000 and £900. So Starling released these funds to Mr H. But Bank M advised they did – they provided a fraud report to Starling, and an indemnity. Starling held on to the remainder of funds in his account – just under £6,100 – and then later returned the funds in Mr H's account to Bank M.

Mr H complained to Starling. He wasn't happy with the customer service provided, their decision to block and close his account and in particular their failure to release all his funds. He highlighted issues paying his rent – which the funds had been earmarked for – and a surgery that he had planned. But, Starling reviewed his complaint and thought they'd acted fairly. So Mr H brought his complaint to our service.

One of our Investigators looked into Mr H's complaint, but they didn't think Starling acted unfairly. They had a few concerns about the information Mr H provided including lack of evidence of the original source of the funds used to purchase the USDT and how the cryptocurrency platform knew the names of the buyers S and K.

Mr H didn't agree – and provided further evidence which our Investigator considered.

But our Investigator didn't change their opinion. They continued to have concerns about how the USDT was originally funded, how the intermediary buyer had been verified and why the buyers weren't listed on any of the online chats Mr H provided.

Mr H didn't agree, and asked what else he could provide to show the transaction was legitimate. He shared further evidence including:

- A history of his trading on the cryptocurrency platform since early 2022
- Verification of the intermediaries account
- Screenshots showing his sales history and verified profile on the cryptocurrency platform

As Mr H hasn't accepted the outcome it's been passed 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 very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything that Mr H and Starling have said before reaching my decision.

Closure and Account restriction

Starling are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They're also required to carry out ongoing monitoring of new and existing relationships. That sometimes means they need to restrict customers' accounts – either in full or partially while they carry out their review. Having looked at what's happened I appreciate why Mr H may have found this inconvenient, but Starling must ensure they keep their due diligence checks updated at all times.

Starling can only close accounts in certain circumstances and if it's in the terms and conditions of the account. Starling have relied on the terms and conditions when closing Mr H's account. I've considered the full circumstances of this complaint and I agree Starling were entitled to close Mr H's account.

Return funds to source

Mr H's main complaint here is regarding Starling's actions in returning his funds to source. I understand he'll be very disappointed, but for me to ask Starling to refund Mr H the funds returned to source I'd need to be satisfied he's entitled to the funds. And for me to do this I'd need sufficient proof. Good industry practice says that once a receiving bank, in this case Starling, is notified their customer received funds from a scam – they need to investigate. If following the investigation the receiving bank isn't satisfied that their customer is entitled to the funds then they'll be expected to return the funds to the victim's bank

Unfortunately, having reviewed the documents Mr H's supplied Starling and our service I'm not satisfied that the evidence Mr H's provided is sufficient. I accept that Mr H has supplied a significant amount of evidence to both Starling and our service, but I still have concerns about the legitimacy of the funds received.

I say this for the following reasons: Mr H's explanation is that he was carrying out USDT trading via a cryptocurrency platform and in doing so he was chatting with a legitimate intermediary. He argues that this intermediary was verified by the platform – and I've seen enough to agree this is the case. The intermediary arranged for payments from two payees, S and K to Mr H totalling £12,000. Mr H has shared evidence of online chats between him and the intermediary – however nothing within the chats mentions either of the buyers, S or K, nor is there a conversation where the intermediary advises Mr H that the payments he receives will be broken down into £6,100, £5,000 and £900 payments.

Mr H has shared two emails he received from the cryptocurrency platform, one which advises of the payments from S and K. But, I note this was dated 31 March 2024 – eight days after the payments were received into Mr H's account. I find it surprising that Mr H wasn't advised at an earlier point who would be paying funds into his account. Even more so when I consider Mr H attempted to move the funds out of his account on the same day they were received.

I've also thought about Mr H's explanation for selling the USDT. He's explained that this was sold to pay for his rent and an operation. And he's shared evidence of an operation he had planned. But, Mr H also accepts a few days before the selling of the USDT, he bought a large amount of cryptocurrency. Mr H has advised this was part of his trading strategy, and he regularly traded cryptocurrency in this way. However, I find it odd he would choose to buy and sell cryptocurrency within such a short timeframe – especially if, as he's explained, he was struggling financially.

It follows I don't think Starling's actions in not releasing and returning the funds to source were unfair. I appreciate and empathise with Mr H about his financial situation at the time including his rent – however this isn't something which changes my view on whether the evidence he's provided is sufficient.

I understand Mr H was frustrated by the customer service he received from Starling. I've reviewed the online chats between Starling and Mr H and I'm satisfied Starling generally responded promptly, and kept Mr H updated with as much information as they could. It took quite a long time for Mr H's funds to be returned to source but this was partly due to waiting for responses from Bank M. And even if I did think Starling caused delays here, I couldn't say it negatively impacted on Mr H because I can't fairly conclude he was entitled to the funds.

Mr H says he feels Starling has discriminated against him given the closure of his account and returning of the funds to source. I can understand why Mr H feels this way. It's not our services role to decide if Starling breached the equality act – that can only be decided by a court. I realise this will disappoint Mr H but from what I've seen I'm satisfied Starling acted fairly here.

For the reasons I've outlined above I won't be asking Starling to do anything further here.

My final decision

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

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

Jeff Burch
Ombudsman