

The complaint

N is a company and is represented in bringing this complaint by Mr H. He complains that Starling Bank Limited refused to accept a payment from one of N's customers and that it did not explain that might happen.

What happened

In May 2024 N sent an invoice for £17,500 to an overseas client for work which it had agreed to carry out. The invoice represented part of the full contract value.

N's customer arranged for funds to be transferred, but Starling Bank would not credit the money to N's account. Mr H identified through the bank's app that payment had not been made and contacted the bank to ask why that was. Starling Bank said that the country from which the payment was made was a high risk country and was included on its list of countries from which it would not accept payments. It directed Mr H to the relevant part of its website which listed around 30 countries which fell into that category.

The funds were returned to N's customer, but it received rather less than it had initially transferred. Starling Bank said the difference was because of exchange rates. N produced a replacement invoice (it was able to receive payment through its account with a different provider), which deducted the difference between what its client had sent and what it had received back from Starling Bank. That is, N agreed to bear the loss.

Mr H complained to Starling Bank, but it said it had acted fairly and within its account terms. Mr H did not accept that and referred the matter to this service. One of our investigators considered what had happened but did not recommend that the complaint be upheld. Mr H asked that an ombudsman review the case.

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.

In my view, the key issue here is whether Starling Bank was within its rights to refuse to accept the payment from N's client and, if so, whether it should have done more to make N and Mr H aware of that possibility.

Mr H has pointed out that Starling Bank partly sells its accounts as suitable for customers wanting to make and receive international payments. It also offers a multi-currency account. I can therefore understand why he did not expect the payment to be refused. However, the account terms direct customers to its website for full information about international payments. The "Help" section of the site includes a list of countries from which Starling Bank does not accept payments; the site also says that the list is updated from time to time. That appears to me to be reasonable, because the risk associated with any particular country is bound to change from time to time, possibly at short notice.

It is not for me to tell Starling Bank whether it should accept payments from (or be prepared to make payments to) any particular country. It is for the bank to decide the level of risk that it is willing to take. I can however understand why Mr H feels that the possibility of payments being declined could have been made clearer. The account terms do not expressly say, for example, that some payments might not be accepted – the reference to information on the website is much less specific than that.

Be that as it may, I think the bank did enough to make that information available to Mr H.

I am satisfied too that the bank told Mr H that the payment had been rejected. But, even if I were to take a different view on that, I note that Mr H found out very quickly what had happened, so N's position was not made any worse.

I note too that the replacement invoice was for a reduced amount. That means that N has lost out as a result of Starling Bank's decision to reject the payment. If the same amount had been returned as was sent, there would have been no reason for N to reduce its price. However, as I have concluded that the bank was within its rights to reject the payment, I cannot fairly require it to make good any losses which N has suffered.

My final decision

For these reasons, my final decision is that I do not uphold N's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 4 February 2025.

Mike Ingram

Ombudsman