

The complaint

Mr B has complained that Starling Bank Limited won't refund the money he lost after falling victim to a scam.

What happened

In autumn 2023, Mr B's brother received missed calls from a number spoofed to look like the genuine number of the Financial Services Compensation Scheme (FSCS). He looked up the number and found it was the FSCS's, and when he called it back he got through to the FSCS's voicemail. The next time the number called, he picked up.

The call was from scammers posing as the FSCS. They already knew the brother's details from a previous scam text, and took him through a security process. They told him his accounts had been compromised and someone was trying to spend his money, and the brother checked his account and found there was indeed a declined payment. The scammer persuaded the brother to move his money to a "safe account" – which was actually the scammer's – highlighting the urgency of this.

As the brother had issues with his card, he asked Mr B for help, and verified himself to Mr B using a selfie, a call, and information personal to him. The brother sent his funds to Mr B. Then Mr B sent them to the scammer by approving four requested card payments, totalling £9,900. Growing suspicious of the call, Mr B called a parent, who explained this was a scam.

Mr B reported the scam to Starling. Starling refunded £1,651 but otherwise didn't think it was liable for the loss.

Our Investigator looked into things independently and partially upheld the complaint. Starling didn't agree, so the complaint'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.

There's no dispute that Mr B authorised the card payments involved, even if he didn't intend for the money to go to a scammer. So under the Payment Services Regulations and the terms of his account, Mr B is liable for those payments in the first instance. But the matter doesn't end there.

Taking into account the law, regulator's rules and guidance, relevant codes of practice, and what I consider to have been good industry practice at the time, I consider that Starling should have fairly and reasonably:

- Monitored accounts and payments to counter risks such as fraud and scams;

- Had systems in place to look out for particularly unusual transactions or other signs its customers were at risk of fraud;
- In some circumstances, taken further steps or made further checks before a payment went out, or even blocked it, to help protect customers – irrespective of the type of payment involved.

I find that Starling should have intervened at the point of the second payment, of £2,900. By that point, Mr B had attempted to send a concerningly large amount – far larger than his normal spending – in a short time, to a new payee. This was out of character for his account; I've reviewed Mr B's account activity in the months leading up to the scam, and I can't see any comparable activity. I think that by that point, the payments stood out as being remarkable, so I think they should have prompted Starling to intervene.

Had Starling intervened at that point and asked reasonable questions, it seems most likely that it could have uncovered the scam and stopped any further loss. The matter bore many hallmarks of a prominent type of scam – for example, Starling would've known that the FSCS or any regulatory body would not set up a new account and pressure customers to move their money there. I've seen nothing to suggest Mr B would not have been honest about why he was sending this money. And I've found no reason why Mr B would not have listened to Starling – it is a well-known name in banking. So I think Starling should be held liable for the loss from the second payment on.

I've also thought carefully about Mr B's role in what happened. In the circumstances, I can understand why Mr B went along with the scam. The scammer had spoofed the FSCS's real number, and his brother had double checked this, so it really would've looked like the call was from an official body. The scammer referred to the previous scam text and declined payment, which were real and supported their story. They already had the brother's details and so were able to tailor the scam to him and make it believable. Mr B took reasonable steps to verify it was really his brother asking for help, then later double checked things with his parent, and reported the matter without delay. I've seen nothing to suggest that Mr B was, or ought to have been, familiar with this type of scam. It's hard to overestimate the stress these types of calls can cause, and the sense of panic they're meant to produce for the victim. Mr B and his brother were put in a position where they didn't have time to think or to delay and make further enquiries. And ultimately, Mr B was just trying to protect the funds. So I've not found that Mr B needs to share liability for the loss from the second payment on.

I've also considered whether Starling could've done more to recover the money once it was told about the scam. Unfortunately, it wasn't possible for Starling to have reversed these payments. There was no chargeback reason which covered this situation or which would've had a realistic prospect of success. And as these were card payments, they were not covered by the CRM Code for scams. So there wasn't anything more that Starling could've reasonably done to recover the funds.

Finally, Starling said it wouldn't reimburse Mr B beyond the £1,651 it had already paid, because the rest of the loss wasn't his own money, it was his brother's. And I do understand its objection. But in order to resolve things quickly and with minimal formality, we've spoken to both brothers. They've confirmed they're happy for Starling to pay the funds to Mr B, then Mr B will forward the money to his brother. This avoids the need for a separate case.

Putting things right

Starling Bank Limited should:

- Refund the loss from the second payment (of £2,900) onwards, less the £1,651 it has already refunded. This comes to a total refund of £5,249.
- Add simple interest at the rate of 8% simple per year onto the refund, payable from the date the payments debited until the date of the refund.

If Starling considers that it's required by HM Revenue & Customs (HMRC) to deduct tax from that simple interest, it should tell Mr B how much tax it's taken off. It should also give Mr B a tax deduction certificate if he asks for one. Mr B's brother may be able to reclaim the tax from HMRC if he doesn't normally pay tax.

Mr B should then pay this redress on to his brother.

My final decision

For the reasons I've explained, I uphold Mr B's complaint in part, and direct Starling Bank Limited to put things right by doing what I've said above.

If Mr B accepts the final decision, Starling Bank Limited must pay him within 28 days of the date our service notifies it of the acceptance.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 19 February 2025.

Adam Charles
Ombudsman