

The complaint

Mr H is unhappy Starling Bank Limited ('Starling') won't reimburse him the money he lost when he fell victim to an impersonation / safe account scam.

What happened

The circumstances of the complaint are well-known to both parties, so I don't intend on setting these out in detail here. However, I'll provide a brief summary of what's happened.

Mr H fell victim to an impersonation / safe account scam. He believed he was contacted by an employee of Starling regarding some recent activity on his account. Sadly, this was a scammer. And Mr H was duped into believing that he needed to move his funds to a safe account as his account was at risk.

As a result of the scam, the following three card payments debited Mr H's account.

| Date | Time | Payment type | Amount |
|-------------|--------|---|--------|
| 28 May 2024 | 1.33pm | Card payment to merchant | £56.98 |
| 28 May 2024 | 1.37pm | Card payment to an Electronic Money Institution ('Company L' – a money transfer service provider) | £990 |
| 28 May 2024 | 1.43pm | Card payment to an Electronic Money Institution ('Company L' – a money transfer service provider) | £375 |

Mr H says after 45 minutes his wife became suspicious and called Starling while he was still speaking with the scammer. This resulted in the scammer ending the call. Mr H then spoke with the genuine Starling adviser and explained what had happened and sought to stop / seek reimbursement of the payments made as a result of the scam.

Starling has advised that the first payment didn't require any authorisation – so it has refunded that payment as it was an unauthorised payment that Mr H hadn't made, and a successful chargeback could therefore be raised through Mastercard for that payment.

But it has said the second and third payments did require authorisation and Mr H had authorised the payments by approving them through his Starling banking 'app'.

Starling didn't reimburse Mr H for the second payment. It advised the payment was authorised, and it didn't consider it was an unusual or out of character payment that required any additional checks.

However, Starling did consider that a pattern was starting to form and it should have intervened on the following (third) payment. So, it considered it could have done more to prevent the loss on payment three and it reimbursed Mr H for that payment.

Mr H was therefore reimbursed for the first and third payment, so £431.98 in total.

Mr H considered he should be reimbursed for the second payment also and was therefore £990 out of pocket as a result. As Mr H was unhappy with Starling's response, he referred the matter to our service.

Our Investigator looked into the matter and didn't recommend the complaint be upheld. They considered it was fair for the first payment to be reimbursed as it was an unauthorised payment that Mr H hadn't made and was recoverable through a chargeback. They also considered the second and third payments were authorised, and were of the opinion that Starling didn't need to intervene on the second payment and Starling had accepted it could have done more when a follow up payment was made (payment three) which it has reimbursed Mr H for.

And they also considered that there wouldn't have been any other way for Starling to recover the loss such as through a chargeback claim for payment two. This was because a chargeback would be against the merchant – and the merchant would likely defend the chargeback as it had carried out the service required of it. So they didn't consider a chargeback would have had any reasonable prospect of success.

Overall, they considered Starling had acted fairly in its answering of the complaint.

Mr H disagreed with the Investigator's findings. In short, he felt the outstanding payment that hadn't been reimbursed (payment two) was out of character and Starling ought to have done more to protect him. Mr H also raised concerns that when Starling issued new replacement cards, he was contacted by scammers around a month later and they knew the card details. Mr H also said that Starling had advised it would contact the Police / Action fraud, and he didn't hear anything from either institution.

Our Investigator considered these points, but it didn't change their opinion. They considered while a payment for £990 was a considerable amount for Mr H to lose, the amount itself wasn't so remarkable that Starling ought to have intervened and carried out additional checks. They also didn't consider there was anything to suggest Starling had failed to keep Mr H's details secure. And in regard to Mr H's belief that Starling advised it would report the matter to the Police, they explained that they had listened to the call recording and Starling had asked if Mr H agreed to it contacting relevant third parties, including law enforcement and sharing information between all the relevant third parties in order to carry out an investigation. So, they considered it was a disclaimer that allowed Starling to contact other institutions, if it needed to, as part of its investigation.

Mr H has asked for the matter to be referred to an ombudsman, so 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.

Having done so, I'm not upholding Mr H's complaint. I'm satisfied Starling acted fairly in its answering of the complaint. I know this will come as a disappointment to him as he was the victim of a cruel scam, but I'll explain my reasons why.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

Why the Contingent Reimbursement Model ('CRM') Code isn't applicable

I can see from Mr H's correspondence with Starling that he considered he may be due a reimbursement of his losses under the CRM Code. The Lending Standards Board CRM Code was implemented to reduce the occurrence of scams and provide increased protection from the impact of authorised push payment ('APP') scams, both through reimbursement and the reduction of APP scams. But the 'Definitions and Scope' of the CRM Code set out that it is in relation to payments that are '*a transfer of funds executed across Faster Payments, CHAPS or an internal book transfer*'. Here, Mr H's payments weren't APP Faster Payments, he had sadly been duped into authorising the approval of two card payments to a merchant. So, as card payments aren't covered by the provisions of the CRM Code, it means it isn't an applicable consideration in this complaint.

The relevant law and regulations in place at the time

In broad terms, the starting position at law is that a bank is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the customer's account. This is set out within the 'Payment Service Regulations 2017' ('PSRs') and these are the relevant regulations in place here.

Here, Mr H's card details were known by the scammer. And all the payments were subsequently initiated by the scammer. Mr H wasn't required to provide any consent for the first payment – so it is deemed an unauthorised payment and that is why that payment was recoverable by Starling through a chargeback under Mastercard's chargeback scheme. But Mr H was required to provide his consent to allow for the execution of the second and third payments. And this was done by Mr H having to acknowledge and approve / consent to those payment instructions through his Starling banking app.

This means that under the PSR's, Mr H has authorised the debit card transactions for the second and third payments. And that means he is therefore responsible for them. That remains the case even though Mr H was the unfortunate victim of a scam.

However, there are times when I might expect a bank to question a transaction or payment, even though it may have been properly authorised. Broadly speaking, firms (like Starling) should fairly and reasonably have been on the lookout for the possibility of fraud in order to protect its customers from the possible risk of financial harm as a result of fraud and scams.

What does this mean for Mr H?

In this case, I need to decide whether Starling acted fairly and reasonably in its dealings with Mr H when he made the debit card payments or whether it should have done more than it did.

I've thought about this carefully. From what I've seen, I can't fairly say that there was anything unusual or remarkable about the first or second debit card payments or the amounts that ought to have alerted Starling to the possibility Mr H was being scammed.

Banks process a high volume of transfers and transactions each day. And a bank has to strike a balance as to when it should possibly intervene on a payment against not holding up or delaying its customer's requests.

Here, the first payment was going to a legitimate merchant, and it was for £56.98. I don't think Starling acted unreasonably in not flagging the payment for any further additional checks. And I am mindful this payment has been reimbursed as Starling accepted it wasn't authorised by Mr H and was therefore recoverable under the applicable chargeback code / reason through Mastercard's chargeback scheme.

With the second payment, while I appreciate it was for £990, which isn't an insignificant amount, it wasn't so remarkable that I would have expected Starling to have had cause for concern that Mr H was potentially at risk of financial harm and not to an extent that I would have expected it to have carried out some further additional checks on it. From Starling's perspective it was a card payment going to a legitimate Electronic Money Institute (EMI) money transfer provider and it was a payment that Mr H had approved and consented to. Also, the amount didn't clear Mr H's balance completely which can be a sign that a customer is at potential risk of financial harm. It left a balance of around £376 which wasn't out of character with the account history / usage. So I can't say Starling acted unfairly in not flagging the payment for any additional checks.

But I am pleased to see that Starling, upon its review of what had happened, accepted that it could have done more to prevent the loss in relation to payment three. It accepted that a pattern was starting to form, and I agree. Payments were made in quick succession and payment three was going to the same EMI as payment two and the payments were made minutes apart. And the payment of £375 did clear the balance. So, I agree that had Starling carried out some further checks, the loss for payment three was likely preventable. Starling has reimbursed Mr H for that payment and that seems fair and reasonable in the circumstances.

So I'm satisfied Starling, by reimbursing Mr H for payments one and three, has acted fairly in its answering of the complaint about the scam Mr H fell victim to.

Recovery of the funds for payment two

I have also considered whether there was anything else Starling could have done to recover Mr H's losses for payment two. The only option available to it would have been to raise a chargeback under Mastercard's chargeback scheme (which has certain requirements in order for a claim to be successful and doesn't cover all disputes). However, when considering Mastercard's chargeback requirements I am mindful that there wasn't any reasonable prospect of success unfortunately. I say this because the chargeback would be against the merchant, as that was where the payment went to. And here the payment had been made to a legitimate EMI who had carried out the services required of it. The EMI wasn't to know the payment it had received was as a result of a scam. So, it had carried out the instructions (so likely executing a transfer of funds to another individual). Any chargeback therefore raised against the EMI, would have been defended as it had carried out the services required of it. This meant the chargeback had no reasonable prospect of success. So there wasn't anything further Starling could reasonably do to help recover the funds from payment two.

Mr H's other concerns

In relation to Mr H's other concerns, I can't know for sure how the later replacement card details were known by fraudsters, but I haven't seen anything to suggest Mr H's details had been compromised by Starling in any way. Mr H can liaise with Starling about this aspect, if he wishes to, although I am mindful Mr H has said he now banks with a different provider and hasn't experienced any such problem.

And I agree with our Investigator in regard to the disclaimer Starling provided during its call with Mr H. Starling were in essence asking if Mr H agreed to Starling contacting various other institutions to carry out a full investigation. This is a disclaimer that allows Starling, if Mr H agreed, to contact any institutions that it may need to. This is a general disclaimer when fraud has happened, as banks will sometimes need to contact other institutions about the matter and can't do so without a customer's consent. It wasn't setting out that it will inform the police about the fraud on Mr H's behalf. But I can appreciate that at the time it may have been slightly confusing. But I don't consider I need to make any award for the slight confusion on this aspect.

Summary

Overall, while I appreciate Mr H has been the unfortunate victim of a scam, I think Starling's decision to reimburse Mr H for payments one and three was fair and reasonable in the circumstances and it didn't need to reimburse Mr H for payment two.

My final decision

For the reasons given above, 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 22 August 2025.

Matthew Horner
Ombudsman