

The complaint

Miss O is unhappy that Starling Bank Limited allowed a merchant to retake a reversed payment from her account.

What happened

In April 2024, Miss O authorised a payment of £357.03 to a merchant. The following month, in May 2024, the merchant unexpectedly reimbursed the payment back into Miss O's account. After the reversed payment remained in her account for several days, Miss O assumed that the reversal was a refund by the merchant to her and withdrew the £357.03 from her account.

However, shortly after Miss O removed the £357.03 from her account, the merchant reclaimed that money, which left Miss O's account in an unauthorised overdraft. Miss O wasn't happy that Starling had allowed the reclamation of the £357.03 by the merchant, especially as she was now being charged by Starling for being in an unauthorised overdraft. So, she raised a complaint.

Starling responded to Miss O and said they didn't feel they'd done anything wrong regarding how they'd administered her account. Miss O wasn't satisfied with Starling's response, so she referred her complaint to this service.

One of our investigators looked at this complaint. They noted the merchant had remained entitled to the £357.03, even though the merchant had temporarily reimbursed the payment back to Miss O's account. And our investigator didn't feel Starling had acted unfairly by not preventing the merchant from retaking the money that it was entitled to. Miss O didn't agree with the view of this complaint put forward by our investigator, so the matter was escalated to an ombudsman for a final 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.

When Miss O authorised the payment of £357.03 to the merchant in April 2024, she entitled the merchant to that amount. And while I can appreciate how it might have been confusing for Miss O to see the merchant reimburse the £357.03 that it took back into her account the following month, this reimbursement didn't affect the merchant's entitlement to that money.

Miss O has said that she saw the reimbursement and left it in her account for several days. And Miss O has also said that when the merchant didn't re-take the money after several days that she assumed that the reimbursement was a refund from the merchant to her.

But it's difficult to understand why Miss O felt that the merchant was providing her with a refund, given that she acknowledges that she received a service from the merchant for which £357.03 was the accepted price. And if Miss O did want to remove the money from her account, I would reasonably have expected her to have contacted the merchant directly

to confirm why the payment amount had been returned to her account.

If Miss O had contacted the merchant directly as I would reasonably have expected her to have done, then I feel it's likely that she would have come to the correct understanding that the reimbursement was only temporary and wasn't a refund to her. And having come to such an understanding, I feel that Miss O wouldn't have removed the money from her account so that when the merchant re-took the amount it didn't put her Starling account in an unauthorised overdraft.

Finally, I note that Miss O has said in her recent correspondence to this service that she continues to feel that what happened could be the result of an error by Starling. However, I'm satisfied that that was not the case. If Miss O is unhappy at the merchant for reimbursing and then retaking the £357.03 that she paid to them – which is what happened – then this would be a matter for Miss O to take up with the merchant directly.

Ultimately, I'm satisfied that Starling haven't acted unfairly here, because the merchant was entitled to the money in question regardless of the temporary reimbursement as I've previously explained. And it follows from this that I won't be upholding this complaint against Starling or instructing them to take any further or alternative action here.

I realise this won't be the outcome Miss O was wanting, but I trust that she'll understand, given what I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

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

Paul Cooper
Ombudsman