

## **The complaint**

Miss K complains that Starling Bank Limited won't refund the money she lost when she was the victim of a scam.

## **What happened**

In late 2022, Miss K was speaking to a psychic she had met online in order to help her emotionally following the end of a relationship. Miss K says she was speaking to the psychic regularly, and they then started telling her about an opportunity to invest in a business they were setting up. She was told she would receive shares in the company and would then get a significant return later in the year. And as Miss K thought the psychic was genuine, she made a number of payments to them from account she held – including a payment of £2,500 from her Starling account in March 2023.

Unfortunately, Miss K didn't receive the returns on the investment she was told she would. And the psychic then also didn't return the money she had invested. So Miss K reported the payment she had made to Starling as a scam, and asked it to refund the money she had lost.

Starling investigated, but said it felt this was civil dispute between Miss K and the psychic, rather than a scam. So it didn't agree to refund the payment she had made. Miss K wasn't satisfied with Starling's response, so referred a complaint to our service.

One of our investigators looked at the complaint. They didn't think Starling should have been expected to do anything further when Miss K made the payment, and thought Miss K didn't have a reasonable basis to believe the investment was genuine. So they didn't think Starling should have to refund the money she had lost. Miss K disagreed with our investigator, so the complaint has been passed to me.

## **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 don't think it would be fair to require Starling to refund the payment Miss K made here. I'll explain why below.

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. However, where the customer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the customer even though they authorised the payment.

Starling is a signatory of the Lending Standards Boards Contingent Reimbursement Model (the CRM code). This requires firms to reimburse customers who have been the victim of

certain types of scams, in all but a limited number of circumstances. But customers are only covered by the code where they have been the victim of a scam – as defined in the code.

*Has Miss K been the victim of a scam, as defined in the CRM code?*

The relevant definition of a scam from the CRM code is that the customer transferred funds to another person for what they believed were legitimate purposes but were in fact fraudulent.

The CRM code also says it doesn't apply to private civil disputes, such as where a customer has paid a legitimate supplier for goods or services but has not received them, they are defective in some way, or the customer is otherwise dissatisfied with the supplier.

Starling has argued that the psychic's company Miss K was supposedly investing in is listed on the government's register of limited companies, and that Miss K had an existing relationship with the psychic. So it said this was a civil dispute, rather than a scam.

I think there is reasonable evidence here to suggest that the company Miss K thought she was investing in was a scam – including that the psychic appears to have told her they had agreements with a legitimate health company and an investment company for funding, which doesn't appear to have been true, and that Miss K was told she would receive a number of shares in the company, which she doesn't appear to have done.

But, in any event, even if Miss K was the victim of a scam as defined by the CRM code, I don't think Starling would be required to refund any of the money she lost, for the reasons I'll explain below.

*Would Miss K be entitled to a refund under the CRM code?*

As I explained above, Starling is a signatory of the Lending Standards Boards Contingent Reimbursement Model (the CRM code). This code requires firms to reimburse customers who have been the victim of authorised push payment scams, in all but a limited number of circumstances. And it is for the firm to establish that one of those exceptions to reimbursement applies.

Under the CRM code, a firm may choose not to reimburse a customer if it can establish that:

- The customer ignored an effective warning in relation to the payment being made
- The customer made the payment without a reasonable basis for believing that:
  - o the payee was the person the customer was expecting to pay;
  - o the payment was for genuine goods or services; and/or
  - o the person or business with whom they transacted was legitimate

There are further exceptions within the CRM code, but these don't apply here.

*Was Miss K vulnerable, under the CRM code?*

The CRM code says that, where a customer is vulnerable, the bank should refund them in full – regardless of whether any of the exceptions to reimbursement apply. And it defines a customer as vulnerable if it would not be reasonable to expect them to have protected themselves from the particular scam they fell victim to.

Miss K has explained that her personal circumstances at the time meant that she was in a fragile state and so was more easily manipulated by the psychic. And my intention isn't to diminish the severity of these circumstances and I don't underestimate the impact they had

on her. But, from what I've seen, I don't think her circumstances were such that she was unable to protect herself from this particular scam.

And so I don't think she meets the definition of vulnerable from the CRM code, and I think the exclusions to reimbursement could still apply here.

*Did Miss K have a reasonable basis for belief when making the payment?*

I've considered whether Miss K had a reasonable basis for belief that this investment was genuine when making the payment. And while I appreciate that she has lost a significant amount of money here, I do think there were a number of things about what was happening and what she was told that should have caused her significant concern.

Miss K was initially told about the investment opportunity by a psychic she had met online. She says she'd never met the psychic in person, and doesn't appear to have been sent any evidence to show they were experienced or successful in running a business or managing investments. So I think finding out about the potential investment in this way should have caused Miss K some concern.

From what I've seen, Miss K doesn't appear to have had a particularly clear understanding of the business she was supposedly investing in, what it would be doing or how it would generate profit. And I think it would be reasonable to expect her to have a clearer understanding of these things, particularly given the significant amount of money she was paying to the company.

Miss K has said she was told the psychic had secured a business agreement with a legitimate and well-known health company, and significant funding from an investment company. But she doesn't appear to have been shown any evidence of these agreements, or of the work the psychic had done to secure them.

Miss K has also said she was told she would receive shares in the company. But she appears to have been told she would receive the same amount of shares as the investment company, despite her investing less than 1% of the funding she was told the investment company was providing. And she says she was told she would receive returns of 3,000% of the amount she was investing, within a year. But I don't think these figures are plausible. So I think being told these things should have caused Miss K significant concern that what she was being told was too good to be true.

I sympathise with the position Miss K has found herself in. And I appreciate that there were things about the investment that will have reasonably felt genuine to her, such as the contracts and share certificates she received. But I think there were a number of things here which should have caused her concern. And I think these things, particularly in combination, should have been enough to overcome the parts of the investment which felt genuine.

So I think Miss K made the payment here without a reasonable basis for belief that the investment was genuine. And so one of the exceptions to reimbursement under the CRM code applies here, and Starling does not have to refund all of the money Miss K lost.

*Did Starling meet its obligations under the CRM code?*

Even though I don't think she had a reasonable basis for belief when making the payment here, Miss K could still be entitled to a refund of some of the money she lost if Starling didn't meet its obligations under the CRM code – one of which is to provide effective warnings when it identifies a scam risk.

But the payment Miss K made from her Starling account wasn't for a particularly large amount, or for an amount where I'd expect Starling to recognise it as suspicious based on its size alone. It didn't form part of a pattern of payments I would've expected Starling to identify as suspicious. And I don't think there was anything else particularly unusual or out of character about the payment.

So I wouldn't have expected Starling to identify a scam risk as a result of this payment. And so I don't think it would be fair to say it had failed to meet its obligations under the CRM code by not providing more of a warning or doing anything further when Miss K made this payment.

I therefore don't think it would be fair to require Starling to refund the payment Miss K made under the CRM code here.

### Recovery

Once they are notified of a scam, we expect firms to take reasonable steps to try to recover any money their customers have lost.

But from what I've seen of the account the payment Miss K made was sent to, the funds she sent had been removed from the account before she reported the payment to Starling as a scam. And so, even if this was a scam, I don't think anything I would reasonably have expected Starling to have done would have led to any of Miss K's money being recovered.

### **My final decision**

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept or reject my decision before 15 May 2025.

Alan Millward  
**Ombudsman**