

## The complaint

In September 2024, Mr Z complained because Starling Bank Limited refused to refund him for direct debits from his account to a telecoms firm between November 2020 and January 2021. Mr Z said he hadn't authorised the direct debits.

## What happened

On 4 September 2024, Mr Z contacted Starling by chat about direct debits to a telecoms firm, made between November 2020 and January 2021. He disputed eight payments totalling £354.06. He said he'd never used the telecoms firm, and the payments shouldn't have been debited. Starling's agent asked if Mr Z had tried contacting the telecoms firm, and said that direct debits are very hard to set up fraudulently. Mr Z said the telecoms firm had told him there wasn't anything in his name and had told him to contact his bank.

Starling's payments team asked Mr Z for evidence about the payments. Mr Z said the telecoms firm had told him it couldn't use email for non-customers, and its chat function had advised him to phone – so Mr Z couldn't provide any written evidence. Starling's adviser told Mr Z that the issue was a "goods and services" dispute, which isn't covered under the direct debit guarantee. The adviser said the direct debit had been set up in Mr Z's name, so Starling would need evidence from the telecoms firm that the payments had been taken in error.

Mr Z wasn't satisfied and complained.

In Starling's final response to Mr Z's complaint, it said the evidence provided by Mr Z wasn't enough for Starling to use in raising a direct debit dispute for him. It explained that setting up a direct debit would have needed the customer's account number and sort code. Also, when Starling receives a direct debit request, it sends out a notification to the customer about the request. It told Mr Z it had sent him this notification on 15 September 2020 when it received the direct debit request.

Starling also pointed out that at the time of the disputed payments, there had been credits into Mr Z's account and the disputed direct debits were paid from these credits. So Starling said it couldn't agree that Mr Z didn't know about the payments at the time.

Starling also said that given how long ago the disputed payments had taken place, it would have been very difficult for Starling to dispute the direct debits without sufficient evidence. It explained that the direct debit guarantee states that Starling was entitled to request additional information and evidence, to show there had been an error, before raising a direct debit indemnity claim. It suggested that Mr Z should contact the telecoms firm again, and provided him with the reference numbers used to set up the direct debits on his account.

Mr Z wasn't satisfied, and contacted this service. He said that he'd tried to contact the telecoms firm as Starling had requested, but the telecoms firm had said he'd have to phone. He was unhappy that Starling wouldn't investigate further. He said he had mental health conditions and the situation was very stressful. Mr Z wanted a refund.

Our investigator didn't uphold Mr Z's complaint. She said she understood that Mr Z had struggled to get information from the telecoms company to support his case – but Starling wasn't responsible for that. She said Starling had acted within the rules about how banks manage the direct debit scheme.

She also explained that Starling wasn't responsible for the telecoms company's lack of easy contact, and the telecoms company's website showed various landline numbers to call, and a complaint review email address – so there were options for Mr Z which he hadn't pursued.

The investigator also pointed out that Starling had provided evidence that when the direct debits had been set up, an in-app notification had been sent to Mr Z on 5 September 2020. Credits had also been paid into the account before the direct debits were due to be paid. So Mr Z had known about the payments at the time.

Mr Z didn't agree.

He said he was on benefits so how did the investigator expect him to be aware of payments going in and out of his account? He said this was Starling's job, and it hadn't verified the details of the direct debit, and nor had it tried to contact the telecoms company as it would in a chargeback claim.

The investigator replied that there was no requirement for Starling to contact the telecoms firm as it would in a chargeback. Chargebacks are only instigated when a customer has tried to sort things out with the merchant, and time limits for submitting them are also quite strict, with claims having to be made within 45 to 180 days. Also, the chargeback scheme only applies to card payments, and the payments Mr Z was disputing were direct debits.

The investigator also said that Starling had supplied evidence of the direct debit being set up through the Automated Direct Debit Instruction Service (AUDDIS). The telecoms firm had provided Starling with the details in line with guidelines. Starling had then checked that they were valid, which meant that the sort code, bank account number and name on the account supplied by the telecoms firm had matched.

The investigator also sent Mr Z a copy of the part of the 2020 computer record which showed that Starling had sent Mr Z an in-app message about the new direct debits at the time they were set up.

Mr Z didn't agree.

He said he has mental health problems. He said he hadn't received a notification on his phone. He said there had been hundreds of pounds going out of his account every week, and he didn't have the time or mental capacity to check all the transactions. He asked for an ombudsman's decision, so he could get the decision and take it to court if needs be.

### **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.

First, I'm sorry to hear that Mr Z has mental health problems. I can see that when Mr Z first contacted Starling about the direct debits on 4 September 2024, he said he was vulnerable and received benefits. Starling asked *"Do you have anyone to help you manage your finances?"* and asked if there was anything it could do to support him better. Mr Z replied *"My parents help me manage them. My dad is my carer."*

### *The direct debit indemnity*

The direct debit indemnity is a way for customers to claim back payments when a company has:

- not given advance notice about a change of amount or date;
- taken a payment earlier than the agreed date;
- taken an incorrect amount;
- taken a payment in error.

Starling asked Mr Z for evidence about his dispute with the telecoms company. As I've set out above, Mr Z said he'd never used the telecoms company. He also said the company had told him it couldn't use email for non-customers, and its chat function had advised him to phone, so he couldn't provide any written evidence. But it wasn't Starling's fault that the telecoms company weren't easy to deal with, and as the investigator noted, the telecoms firm's website does clearly signpost how to complain, providing landline numbers and a complaints review email service. So I consider there were options for Mr Z in dealing with the telecoms company, with assistance from those who helped with his finances.

I find, however, that what Mr Z was complaining about didn't fit the direct debit indemnity anyway. He said he'd never had any dealings with the company – which isn't the same as the situations which I've set out above. So I consider Starling was correct when it said that the issue was a "goods and services" dispute, which isn't covered under the direct debit guarantee. Nor was Starling obliged to contact the telecoms company for Mr Z as he believes.

### *What the Regulations say*

As the direct debit indemnity doesn't apply to Mr Z's complaint, I've considered his complaint in the wider sense of disputed payments.

There are regulations which govern disputed transactions. The relevant regulations here are the Payment Services Regulations 2017. In general terms, the bank is liable if the customer didn't authorise the payments, and the customer is liable if they did authorise them. So what I have to decide is whether it's more likely than not that Mr Z, or a third party fraudster, set up the direct debit and carried out the disputed payments.

### *The direct debits and Mr Z's use of his account*

I've looked at the technical computer evidence provided by Starling. This shows the setting up of the direct debit on Mr Z's account. I've also seen the list of in-app notifications sent to Mr Z on 15 September 2020, which includes the new direct debits. Mr Z said he didn't receive this, but I accept it was sent by Starling, and I consider it's unlikely it didn't arrive.

Whoever set up the direct debits would also have needed Mr Z's account number and sort code. Customers have a responsibility to keep their bank details secure, and Mr Z hasn't made any suggestions about how any third party fraudster might have obtained his bank information. And if any such fraudster had done so, it's most unlikely they'd only have taken a number of relatively small direct debits each month. They'd have been much more likely to take larger sums quickly.

In Mr Z's replies to the investigator after her view, he said there had been hundreds of pounds going out of his account every week, and he didn't have the time or mental capacity to check all the transactions. He also said this was Starling's job. But it wasn't Starling's job to check whether or not Mr Z agreed with every transaction on his account. Starling's terms and conditions say that it provides monthly statements. As I've said above, I think it's most

likely that Mr Z did receive the in-app notification which Starling sent on 15 September 2020. But even if he didn't, I'd have expected him to have seen the eight direct debit payments to the telecoms company between 12 October 2020 and 11 January 2021. He didn't report them around that time, which is surprising if he hadn't authorised the direct debit. Instead, he first raised the dispute nearly 4 years later.

I've also looked at Mr Z's bank statements. These give the impression that in fact Mr Z – or his family whom he said helped him with his money – was monitoring the account very carefully. That's because whenever his balance dropped to a low level, money was paid into his account, which funded subsequent payments. For example, at the start of 7 November 2020, Mr Z's balance was £51.14. That day, there was a £375 credit into his account. That credit has a label on the bank statement saying "...Z [Mr Z's name] from [name of another bank]". Two days later there were two of the direct debits which Mr Z disputed nearly four years later, totalling £66.22. These couldn't have taken place without the prior credit.

So I consider it's most likely that Mr Z or a helper was monitoring and managing his account carefully. That means it's highly likely that he'd have known about the direct debits in 2020, well before he reported them in 2024.

Starling's terms and conditions say:

*"If you suspect an incorrect, fraudulent or unauthorised payment or transaction has been made using your Account (for example, a direct debit which you previously cancelled or a transaction you do not recognise)... please get in touch with us immediately (and no later than 13 months after the payment) so we can assist as far as we can."*

The reason why 13 months is mentioned here is that the Payment Services Regulations 2017 say:

*"74.—(1) A payment service user is entitled to redress under regulation 76, 91, 92, 93 or 94 (liability for unauthorised transactions, non-execution or defective or late execution of transactions, or charges and interest), only if it notifies the payment service provider without undue delay, and in any event no later than 13 months after the debit date, on becoming aware of any unauthorised or incorrectly executed payment transaction."*

Here, Starling did consider Mr Z's complaint that he hadn't authorised the direct debits, despite the fact that he reported them nearly four years after they took place. It didn't have to do so under the Regulations. So I consider Starling treated Mr Z well in considering his late reporting of the dispute.

### *Conclusion*

For the reasons above, I consider it's most likely that Mr Z knew about the direct debits at the time they took place. Whoever set up the direct debits knew his bank account information, which he had a duty to keep secure. I also consider it's most likely that the notification about setting up the direct debit did reach him. It's also most unlikely that any fraudster who had access to Mr Z's account would have taken a small number of monthly direct debits, but no other funds. He also didn't dispute the debits until nearly four years later. So I consider it's most likely he authorised the payments himself. This means Starling doesn't have to refund him.

### **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 Mr Z to accept or

reject my decision before 5 June 2025.

Belinda Knight  
**Ombudsman**