

The complaint

Mr and Mrs H complain Starling Bank Limited (“Starling Bank”) didn’t do enough to protect them when they fell victim to a scam.

What happened

Both parties are familiar with the circumstances of the complaint, so I’ll only summarise the details here.

Mr H said he received an email which he believed was from an audio streaming service he had a subscription with, it said his payment had failed and he needed to update his card details. Mr H told us he clicked the link provided and was directed to a website branded by the company and clicked a payment link which was also branded by the company. Mr H said he entered his bank details believing it was for his monthly subscription. He said he was directed to approve the payment with Starling Bank which he did, and once he had there was a notification stating there was a reservation of up to £1,000.

Mr H told us he was concerned and so contacted Starling Bank who advised a payment had been made of £477.01, so he reported this as a scam to Starling Bank.

Mr and Mrs H complained to Starling Bank and their disputed transaction claim wasn’t upheld but Starling Bank offered £50 because it didn’t call them when they’d asked it to. Mr H has confirmed he received the compensation. Unhappy with Starling Bank’s response, they raised the matter with the Financial Ombudsman Service. One of our Investigators looked into the complaint and didn’t think the payment ought to have concerned Starling Bank such that it should have intervened, and they felt the compensation offered was fair for the service failing.

Mr and Mrs H didn’t agree with the outcome. In summary they said Starling Bank didn’t make it clear they were approving a payment in foreign currency to an overseas bank.

As an agreement could not be reached, the complaint has been passed to me 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.

I’m sorry that Mr and Mrs H have been the victims of a scam. I realise they’ve lost funds and I don’t underestimate the impact this has had on them. And so, I’d like to reassure them that I’ve read and considered everything they’ve said in support of their complaint. But I’ll focus my comments on what I think is relevant. If I don’t mention any specific point, it’s not because I’ve failed to take it on board and think about it, but because I don’t think I need to comment on it to reach what I think is a fair and reasonable outcome. I know this will come as a disappointment to Mr and Mrs H but having done so, I won’t be upholding the complaint for broadly the same reasons as our Investigator. I’ll explain why.

In broad terms, the starting position at law is that banks and other payment service providers are expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account.

In approving the payment with Starling Bank Mr H authorised the payment in question here – so even though he was tricked into doing so and didn't intend for the money to end up in the hands of a scammer, he's presumed liable in the first instance.

But as a matter of good industry practice, Starling Bank should also have taken proactive steps to identify and help prevent transactions – particularly unusual or uncharacteristic transactions – that could involve fraud or be the result of a scam. However, there is a balance to be struck: as while banks and Electronic Money Institutions should be alert to fraud and scams to act in their customers' best interests, they can't reasonably be involved in every transaction.

I've also thought about the Contingent Reimbursement Model which Starling Bank is a signatory of. The code doesn't cover payments made by card and so isn't relevant here.

I've thought about whether Starling Bank acted fairly and reasonably in its dealings with Mr and Mrs H when the payment was made, or whether it should have done more than it did. In doing so I've considered what Starling Bank knew about the payment at the time it received Mr H's payment instructions and what action, if any, Starling Bank took prior to processing the payment.

Starling Bank said the payment was authorised using a feature known as 3D Secure whereby a customer is sent a notification which requires their approval before they can complete the transaction.

I don't think the payment was of an unusually excessive value that it ought to have caused Starling Bank to be concerned that Mr and Mrs H were potentially falling victim to a scam. To gain the full picture of the information Starling Bank would have had access to, at the time the payment instruction was made, I've reviewed Mr and Mrs H's account statements for the six months prior to the payment being made in September 2024. It's helpful to consider the usual account activity when deciding if a payment appears to be out of character, or not. And having done so I don't think it was out of character. I found several payments made in the months prior to the scam for amounts which are similar in value and higher than the disputed payment. As well as several payments made in foreign currency. I therefore believe the payment is in-line with how the account was generally used. So, I don't think the payment suggested Mr and Mrs H were potentially falling victim to a scam or at risk of financial harm from fraud and believe it was reasonable for Starling Bank to process the payment in-line with Mr H's instruction to do so.

As mentioned, Mr and Mrs H said it wasn't clear the approval was for a payment in a foreign currency to an overseas bank. During a call with Starling Bank Mr H gives the name of the merchant which wasn't the audio streaming service. I've seen samples of the notification Starling Bank says Mr H would have seen which note the currency, value and destination of the payment, and as mentioned Mr H recalls the merchant being displayed at the time. While I don't believe, though I can't be sure, the approval specified the country the payment was being made to, it doesn't change the outcome as I find the payment wasn't suspicious in nature such that intervention was necessary.

Starling Bank offered £50 compensation because it didn't call Mr and Mrs H following a request to do so. I believe this is fair and reasonable compensation in the circumstances for the distress this may have caused them at an already difficult time.

Recovery

I've thought about whether there's anything else Starling Bank could have done to help Mr and Mrs H—including if it took the steps it should have once it was aware that the payments were the result of fraud.

After the debit card payment was made, the only potential avenue for recovery of the payment would have been through the chargeback scheme. The chargeback scheme is a voluntary scheme set up to resolve card payment disputes between merchants and cardholders. Starling Bank is bound by the card scheme provider's chargeback rules. Whilst there is no 'right' to a chargeback, I consider it to be good practice that a chargeback be raised if there is a reasonable chance of it succeeding. But a chargeback can only be made within the scheme rules, meaning there are only limited grounds and limited forms of evidence that will be accepted for a chargeback to be considered valid, and potentially succeed. Time limits also apply. Unfortunately, the chargeback rules don't cover scams.

I'm sorry to disappoint Mr and Mrs H further, but I've thought carefully about everything that has happened, and with all the circumstances of this complaint in mind I don't think Starling Bank needs to refund their money or pay any additional compensation. I realise this means they're out of pocket and I'm really sorry they lost this money. However, for the reasons I've explained, I don't think I can reasonably uphold this complaint.

My final decision

My final decision is that I do not uphold this complaint against Starling Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs H to accept or reject my decision before 10 September 2025.

Charlotte Mulvihill
Ombudsman