

The complaint

Mr G has complained that Starling Bank Limited won't refund the money he lost in what he says was a scam.

What happened

In January 2019, Mr G loaned £15,000 to a UK property company. He sent the money in one payment from his Starling account. Mr G initially received loan repayments, but the property company later went into liquidation.

In 2024, Mr G complained, saying this was an investment scam. Starling tried to recover the funds from the receiving bank, but were unable to. They didn't think they were otherwise liable for Mr G's loss.

Our Investigator looked into things independently and didn't uphold the complaint. Mr G's representatives asked for an ombudsman's final decision, so the complaint'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.

In doing so, I have taken into account everything which both sides have said and provided. But I won't necessarily go through every single point on a strict point-by-point basis, nor go through all the potentially relevant rules line-by-line, as a court might. We're an alternative to the courts, here to resolve complaints more quickly and with minimal formality, and with as little reliance on technical terms as possible. So, for example, I'm unlikely to find it necessary to delve into legalistic interpretations of a particular code's stipulations on monitoring accounts if I already agree that Starling should've been monitoring accounts anyway and it doesn't change the outcome. I'll keep my decision focused on what I've found to be the key points, prioritising plain English over legalistic terms.

I do appreciate that Mr G suffered a significant loss from the money he loaned out, for which he has my sympathy. I understand why he would like his money back. It's worth keeping in mind that it's the property company who was primarily responsible for their own actions, and who would really owe Mr G the money back. In this complaint about Starling, I'm just looking at what Starling might be responsible for in view of Mr G's claim that he was scammed.

It's not clear whether Mr G did fall victim to a scam here. There is a high legal threshold or burden of proof to conclude that someone was intentionally trying to commit fraud; as opposed to – for example – running a high-risk scheme or managing a company poorly. Here, the liquidator determined that the property company probably only began wrongfully taking in investment funds from the end of March 2019 – after Mr G's loan. While Mr G's representatives correctly pointed out that "probably" doesn't mean "definitely", that is the most likely date put forward by the appropriate body. And the liquidator stated firmly that the company's prior breach of company law was purely a civil matter, not criminal.

While Mr G wasn't required to categorically prove this was a scam, I cannot fairly or reasonably tell a bank to reimburse a consumer on the basis of them being scammed if I've not actually found that they were scammed. And while I appreciate the representatives' concerns about the property company, I don't seem to have enough to be reasonably satisfied that they were scamming Mr G in this particular case. That would mean there'd be no scam loss for Starling to potentially be held liable for. And Starling were not normally otherwise liable for customers' investment losses just because they happened to pay into the investment from a Starling current account.

Even if I were to set that aside and treat the matter as if it were definitely a scam, I'm afraid I still could not reasonably hold Starling liable for Mr G's losses. I'll explain why.

It's not in dispute that Mr G authorised the payment involved. So although he didn't intend for the money to end up with what he now thinks was a scam, under the Payment Services Regulations he is liable for the loss in the first instance. And broadly speaking, Starling had an obligation to follow his instructions – the starting position in law is that banks are expected to process payments which a customer authorises them to make.

Starling should have been on the lookout for payments which could be the result of fraud or scams, to help prevent them. Of course, a balance must be struck between identifying and responding to potentially fraudulent payments, and ensuring there's minimal disruption to legitimate payments. Here, Mr G had just opened the account and this was its first outward payment, so there was no historic account activity to compare this to or to find it out of character from. And Mr G had told Starling he was a high-income individual. So it's arguable that Starling didn't quite have sufficient reason to intervene here. On the other hand, this was a notably large payment, so I can see the argument that they should have.

However, even if I were to conclude that Starling should've intervened and asked reasonable questions, I think it's most likely that they would not have uncovered a scam, and that Mr G would've still gone ahead. As Mr G's representatives acknowledged, Starling only needed to ask him reasonable questions about his reasons for payment, rather than interrogate him.

I say this because at the time, the liquidation, investigations, and so on hadn't come about yet. Reasonable questioning wouldn't realistically have revealed that the company would go into liquidation months into the future. At the time, the property company was an active registered company which had been trading for years. Mr G said he was already actively looking to invest in property, having just sold a property, the proceeds of which he was using to invest here. So him then investing in a property company would not seem very suspicious. Further, Mr G had a signed written agreement with the property company and was speaking personally with its director. This was a loan, where set repayments are normal, and higher interest rates are not uncommon. And while the proposed returns were high, I don't think that was enough for Starling to conclude this was a scam.

Mr G's representatives argued that things like a company being legitimately registered or having a written agreement aren't proof that a customer isn't being scammed. But it was neither required nor expected nor reasonably possible for Starling to *prove* that every payment from every customer was not linked to any potential scam. The point is that factors like the company having a written agreement with Mr G supported the likelihood that the matter was probably genuine. Whereas the key negative information we now know wasn't known to Starling at the time. So on balance, Starling wouldn't have had sufficient reason to conclude Mr G was being scammed here.

Ultimately, I've been unable to determine whether Mr G was being scammed even with the benefit of hindsight. And in their 2020 report, the liquidator didn't find that the property company were taking investors' money wrongfully before the end of March 2019, even with the benefit of hindsight and an investigation with access to internal records and staff. So it seems very unlikely that Starling would've uncovered a scam back in January 2019 without such advantages. And given that Mr G would've felt reassured by speaking personally with the director of this active limited company and having a written agreement and so on, and he was looking to invest in property, I find it's most likely he would've chosen to proceed.

Mr G's representatives suggested that Starling should've carried out due diligence on Mr G's behalf, such as by delving into the property company's accounts and assessing the investment's suitability for him. But Starling were not required or expected to do that here, and it would not be reasonable or realistic to expect them to do so just because a customer's significant investment payment happened to be made from a Starling current account. Starling were not acting as Mr G's investment advisors here, nor as guarantors for his investments. They were just processing his payment. And the starting position in law was that they were supposed to follow his payment instruction and that Mr G was responsible for the payment he made.

Finally, I've considered what Starling did to try to recover Mr G's money after he told Starling about the scam. I can see they did contact the receiving bank once he reported it, but unfortunately the company had long gone into liquidation. So it wasn't possible to recover the funds. This payment pre-dated the CRM Code, so it was not covered by that. And there was nothing more that Starling could've reasonably done there.

So while I'm sorry to hear about the money Mr G lost, I don't think Starling can fairly be held responsible for that. And so I can't fairly tell Starling to reimburse Mr G in this case.

My final decision

For the reasons I've explained, I don't uphold this complaint.

This final decision marks the end of our service's consideration of the case.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 14 August 2025.

Adam Charles
Ombudsman