

The complaint

Mr M complains Starling Bank Limited (“Starling”) didn’t do enough to protect him when he 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 M took a call from someone, who I’ll refer to as the scammer, purporting to be from Starling, who informed him his account had been compromised. Mr M said he checked the caller’s phone number online and it indicated it was Starling. Mr M said the scammer knew his full name and address and then asked him to verify himself with his customer number. He said he soon received a push notification on his Starling banking app which the scammer instructed him to cancel as it was the fraudster. He said these two points persuaded him the call was genuine.

Mr M said the scammer suggested he upgrade his account to receive better security and told him he needed to move his funds under an alias, as a transfer to an account in his own name would alert the supposed fraudster. Mr M moved his funds from his savings into his main account. He told us that at the direction of the scammer, he then approved push notifications via his banking app under the false pretence he was confirming the movement of his funds to his upgraded account, which was more secure, when in actual fact the funds were being lost to the scammer.

Mr M said he realised he’d been scammed when he got home and told his family what happened who recognised it was a scam.

Below are the transactions Mr M made from his Starling account and lost as a result of the scam:

| Payment | Date | Type of transaction | Payee | Amount |
|---------|--------------|---------------------|---------|---------|
| 1 | 24 July 2024 | Card payment | Payee 1 | £989.10 |
| 2 | 24 July 2024 | Card payment | Payee 2 | £796.00 |
| 3 | 24 July 2024 | Card payment | Payee 1 | £276.00 |

Mr M reported the matter to Starling the same day, it reviewed the scam claim and said it could have done more to protect Mr M from falling victim to the scam but it felt Mr M hadn’t taken reasonable steps to check the payments and offered £1,072 reimbursement. It said it didn’t think it ought to have intervened on the first payment but should have on the second and so refunded the second and third payments.

Unhappy with Starling’s response, and believing he should be reimbursed in full, Mr M complained to Starling, and it maintained its position, so Mr M raised the matter with the Financial Ombudsman. One of our Investigators looked into the complaint and didn’t uphold it, as they didn’t think Starling should have been concerned by the first payment.

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 M has been the victim of a sophisticated scam. I realise he's lost a significant sum of money and I don't underestimate the impact this has had on him. And so, I'd like to reassure him that I've read and considered everything he's said in support of his 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 M but having done so, I won't be upholding his 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 payments via his banking app, Mr M authorised the payments in question here – so even though he was tricked into doing so and didn't intend for his money to end up in the hands of a scammer, he is presumed liable in the first instance.

But as a matter of good industry practice, Starling 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.

Starling has accepted it ought to have done more when the second payment was made and so it has refunded it, along with the third payment. So what remains outstanding is if it ought to be liable for the loss Mr M suffered because of the first payment and I don't think it should be. I've thought about whether Starling acted fairly and reasonably in its dealings with Mr M when he made this payment, or whether it should have done more than it did. In doing so, I've considered what Starling knew about the payment at the time it received Mr M's payment instructions.

As with the other payments, payment 1 was authorised using a feature known as 3D Secure whereby a customer is sent a notification in their banking app which requires their approval before they can complete the transaction.

To gain the full picture of the information Starling would have had access to, at the time the payment instruction was made, I've reviewed Mr M's account statements. I believe the first payment is in keeping with how Mr M typically used his account as he has previously made a one-off larger purchase in February 2024 when he made a payment of £1,077.16. Additionally, the payment itself wasn't of an unusually excessive value such that Starling ought to have cause for concern that Mr M could be at a heightened risk of financial harm from fraud. I therefore think it was reasonable for Starling to process the payment in-line with Mr M's payment instruction.

I think Starling's assessment of the second and third payment is fair given these were made in quick succession which isn't typical account usage for Mr M. It has said it's systems ought to have triggered an intervention when Mr M made the second payment and so has refunded both payments as a result. I've seen these refunds credited Mr M's account on 25 July 2024.

Recovery

I've thought about whether there's anything else Starling could have done to help Mr M — 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 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 M 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 needs to refund his money in full. And as I haven't found a service issue beyond the failed intervention for which redress has been awarded, I don't think Starling needs to pay any compensation. I realise this means he's out of pocket and I'm really sorry he's lost this money. However, for the reasons I've explained, I don't think I can reasonably require Starling to refund the first payment.

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 M to accept or reject my decision before 21 July 2025.

Charlotte Mulvihill
Ombudsman