DRN-5316824

The complaint

Ms A complains Starling Bank Limited ("Starling") didn't do enough to protect her when she fell victim to a scam or recover the funds she lost.

What happened

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

Ms A booked a flight through a third-party website and paid £563.70 on 7 August 2024. She said to complete the booking she had to call the third-party and spoke with an individual who booked the flight. Ms A said she didn't receive the ticket so contacted the individual by email but still no ticket was provided, and they stopped communicating with her.

Ms A contacted the third-party who didn't have a booking in her name. She said she then contacted the merchant the money was paid to, who informed her the flight was in someone else's name.

Believing she had been scammed Ms A raised the matter with Starling and a chargeback was raised but it wasn't successful. Ms A complained to Starling, and it offered £100 compensation for the handling of her dispute which I've seen has been paid to Ms A. Starling didn't refund the money Ms A lost to the scam.

Unhappy with Starling's response, Ms A raised the matter with the Financial Ombudsman Service. One of our Investigators looked into the complaint and didn't uphold it. They didn't think the payment suggested Ms A was at financial harm from fraud such that Starling ought to have intervened and it had done what it could to recover her money.

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 Ms A has been the victim of a scam. I realise she's lost her money as a result and I don't underestimate the impact this has had on her. And so, I'd like to reassure her that I've read and considered everything she's said in support of her 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 Ms A but having done so, I won't be upholding her 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.

Ms A authorised the payments in question here – so even though she was tricked into doing so and didn't intend for her money to end up in the hands of a scammer, she 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 (EMIs) 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 is a signatory of. The code isn't relevant here as the payment was made by card and the code doesn't cover card payments.

I've thought about whether Starling acted fairly and reasonably in its dealings with Ms A when she made the 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 Ms A's payment instruction and what action, if any, Starling took prior to processing the payment.

I don't think the payment was of an unusually excessive value that it ought to have caused Starling to be concerned that Ms A was potentially falling victim to a scam and the payment was to a legitimate merchant which won't have caused Starling to be suspicious. I've also reviewed Ms A's account statement and believe the payment is in keeping with how she typically used the account. So, I don't think the payment was suspicious in nature to suggest to Starling that Ms A was at a heightened risk of financial harm from fraud. I therefore don't think it was unreasonable for Starling to process the payment in-line with her instruction to do so.

Recovery

I've thought about whether there's anything else Starling could have done to help Ms A — including if it took the steps it should have once it was aware that the payment was the result of fraud.

After the 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.

Starling raised a chargeback as a retail dispute as Ms A told it she hadn't received the goods and services she'd purchased. The chargeback wasn't successful as the service had been provided albeit not to Ms A.

I'm satisfied Ms A has been scammed and unfortunately, the chargeback rules don't cover scams. So, if Starling had raised a dispute on this basis I'm satisfied, on balance, it wouldn't have led to a different outcome.

I therefore don't think there's anything more Starling could have done to recover Ms A's money.

Starling has paid Ms A £100 compensation for the service she received when disputing this payment. There were many calls between Ms A and Starling as she chased things and she had to repeat herself. I believe the compensation already awarded is fair for the additional distress and inconvenience this will likely have caused Ms A at an already difficult time.

I'm sorry to disappoint Ms A 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 Ms A's money or pay any additional compensation. I realise this means Ms A is out of pocket and I'm really sorry she's 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 Ms A to accept or reject my decision before 25 September 2025.

Charlotte Mulvihill
Ombudsman