

The complaint

Miss B is complaining about Starling Bank Limited because it declined to refund money she lost as a result of fraud.

What happened

Sadly, on 10 June 2024, Miss B fell victim to a cruel scam. She received a number of emails earlier in the day from various websites saying someone was trying to access her account. Around 3pm, she then received a call from a scammer who claimed to be from Starling bank and told her she needed to move her money to a safe account.

Miss B initially agreed to make a card payment of £3,395 as requested but became suspicious while she was still on the phone with the scammer. At this point, someone she was with called Starling and was told it was a scam call and she hung up on the scammer at this point.

The payment was actually processed while Miss B was on the phone with the scammer. It was used to load a pre-paid card with another provider. According to information provided by Starling and the card provider, the following sequence of events took place

- 15.08 – the card provider has told us the pre-paid card was loaded with £3,395
- 15.10 – the scammer started spending on the pre-paid card
- 15.25 – Miss B called Starling
- 15.41 – Miss B's call to Starling ended
- 15.54 – by this time, the card provider has told us the credit balance had reduced to £46.36
- 16.26 – by this time, the card provider has told us the credit balance had reduced to £30.37
- 11 June - following alerts triggered by its fraud monitoring system, the card provider has told us it froze the card. The credit balance at this point was £30.37.

When Miss B called Starling, its agent took details of what had happened but didn't take any further action to recover the money, instead recommending she contact the merchant (the pre-paid card provider) herself. Starling then considered whether it should refund the money that was lost and concluded it hadn't done anything wrong.

My provisional decision

After the complaint was referred to me, I issued my provisional decision setting out why I thought it should be upheld. My reasons were as follows:

In broad terms, the starting position at law is that a bank is expected to process payments a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of their account. In this context, 'authorised' essentially means the customer gave the business an instruction to make a payment from their account. In other words, they knew that money was leaving their account, irrespective of where that money actually went.

In this case, there's no dispute that Miss B authorised the above payment.

There are, however, some situations where we believe a business, taking into account relevant rules, codes and best practice standards, shouldn't have taken its customer's authorisation instruction at 'face value' – or should have looked at the wider circumstances surrounding the transaction before making the payment.

Starling also has a duty to exercise reasonable skill and care, pay due regard to the interests of its customers and to follow good industry practice to keep customers' accounts safe. This includes identifying vulnerable consumers who may be particularly susceptible to scams and looking out for payments which might indicate the consumer is at risk of financial harm.

Taking these things into account, I need to decide whether Starling acted fairly and reasonably in its dealings with Miss B.

The payment

I appreciate the banking app showed the payment as pending for some time after Miss B contacted Starling to report the scam, but the information obtained from the card provider shows the payment was actually processed with the card loaded while she was on the phone to the scammer and before she called Starling. So the bank is right to say there was nothing it could have done to stop the payment after Miss B first called.

Having considered what Starling knew about the payment, including the amount involved, at the time it received the payment instruction, I'm not persuaded it ought to have suspected it might be connected to a scam or otherwise been concerned about it.

I want to be clear that it's not my intention to suggest Miss B is to blame for what happened in any way. She fell victim to a sophisticated scam that was carefully designed to deceive and manipulate its victims. I can understand why she acted in the way she did. But my role is to consider the actions of Starling and, having done so, I'm satisfied it was entitled to process the payment when it did.

Recovery of funds

This is where I disagree with the conclusions reached by our investigator. Once Miss B had spoken its agent, I think it should have made reasonable efforts to recover her money, including contacting the card provider to make it aware of what had happened. The card provider has told us that if it had been contacted by Starling, it would have been able to block the card to prevent further spending.

Had Starling acted with appropriate urgency, I think it's reasonable to believe the card could have been blocked within an hour of it becoming aware of the scam. In this case, it's unfortunate that the spending took place so quickly as there's no way Starling could have recovered the money that had already been spent. But had

things been resolved within the timeframe I've suggested, the account still had a positive balance of £30.37 that could (and I believe should) have been recovered for Miss B.

Other issues

In some of her correspondence, Miss B has raised potential concerns about Starling's security, saying the scammer knew her bank details and I've no doubt that would have helped convince her the call was genuine. But scammers are able to obtain information from a number of sources and there's no clear evidence here of a failing in Starling's security procedures. It's also the case that scammers are able to spoof a bank's telephone number to make it appear their call is actually from the bank and this isn't something the bank is able to prevent.

In conclusion

While I don't think Starling did anything wrong in processing the payment instruction it received, I do think it should have made efforts to recover Miss B's money once it became aware of the scam and that those efforts would have recovered a small amount of the money that was lost

It's for this reason that I'm currently proposing to uphold this complaint. I realise this outcome will still be disappointing for Miss B as the settlement falls a long way short of what she was hoping to achieve, but I'm satisfied it's fair and reasonable in the circumstances.

The responses to my provisional decision

Starling accepted my provisional decision, saying it has changed its processes for trying to recover fraudulent payments since the events in this complaint. Miss B made no further comment.

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.

As neither party has made any further submissions, my findings haven't changed from those I set out previously.

Putting things right

The principal aim of any award I make is to return Miss B to the position she'd be in but for Starling's inappropriate actions. If it had contacted the card provider promptly after being made aware of the scam, I'm satisfied it should have been able to recover a small part of her money and this should be returned to her.

I can see the circumstances described have caused Miss B a considerable amount of distress and inconvenience. This was mainly due to the actions of the scammer, but I think Starling's failure to act to recover her funds contributed to her overall distress and inconvenience and she should be compensated for its part in that.

The amount to award for a consumer's distress and inconvenience can be difficult to assess as the same situation can impact different people in different ways. But in the circumstances of this case, I think an award of £250 is appropriate.

To put things right, Starling should pay Miss B compensation of $A + B + C$, where:

- $A = £30.37$, representing the amount of money it should have been able to recover if it had made appropriate efforts to do so;
- B = simple interest at 8% per year on A from 10 June 2024 to the date compensation is paid; and
- $C = £250$ for her distress and inconvenience.

Interest is intended to compensate Miss B for the period she was unable to use this money. HM Revenue & Customs (HMRC) requires Starling to deduct tax from any interest. It must provide Miss B with a certificate showing how much tax has been deducted if she asks for one.

It's possible that the amount of £30.37 may still be available for recovery from the card provider, but I don't think that should prevent the above compensation being paid to Miss B or that she should be required to wait further for this part of her money to be returned. So Starling should settle the complaint from its own funds and then it may try to recover any available amount from the card provider subsequently if it wishes to do so.

I'm satisfied this represents a fair and reasonable settlement of this complaint.

My final decision

My final decision is that I uphold this complaint. Subject to Miss B's acceptance, Starling Bank Limited should now put things right as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 18 March 2025.

James Biles
Ombudsman