

The complaint

Mr T complains Starling Bank Limited (Starling) used money set aside for essential bills to fulfil a switch request and closed his bank account without any prior notice.

What happened

Mr T says he'd entered into a debt management plan (DMP) with a debt charity and decided to open a bank account with another bank, as he couldn't set up a direct debit with Starling as this was going to be part of the DMP.

Mr T says he organised a switch transfer assuming Starling would be in touch to discuss what the next steps would be, but instead it simply took funds he had in the "spaces" part of his account, set aside for essential bills, to repay the overdraft on the account and close it.

Mr T says this caused him financial difficulties and stress and worry and although Starling upheld his complaint and paid him £100 he doesn't feel this goes far enough. Mr T says on top of the £100 paid, he wants Starling to pay him the balance held aside in the "spaces" element of his account, which he says is around £350.

Starling says it wasn't made aware of the DMP that Mr T says he set up. Starling says it couldn't transfer a negative balance under the switch transfer service, so in line with its terms and conditions it used the funds in the spaces area of his bank account to fulfil the account transfer.

Starling says it accepts it could have explained this more clearly to Mr T and paid him £100 for the trouble and upset caused.

Mr T wasn't happy with Starling's response and referred the matter to this service.

The investigator looked at all the available information and upheld the complaint.

The investigator pointed out that under Starling's terms and conditions it was able to offset funds to repay any money that it was owed. That said the investigator felt Starling hadn't acted fairly as it hadn't provided advance notice to Mr T of its actions. The investigator felt that if Mr T had been given advance notice it was likely he would have taken steps to remove those funds he'd set aside to pay essential bills.

While the investigator didn't feel Starling should pay Mr T the balance set aside in the spaces part of his account, it should increase its offer of compensation to a total of £250, meaning Starling should pay Mr T a further £150.

Starling accepted the investigator's view, but Mr T still felt Starling should pay him the balance held in the spaces element of his bank account on top of the £100 it had already paid him.

Mr T asked for the matter to be referred to an ombudsman 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.

Having done so, I will also be partially upholding this complaint and I will explain how I have come to my decision.

I was sorry to learn of Mr T's financial situation and this must be a source of worry for him. When looking at this complaint I will consider if Starling did all it could before initiating the switch request to another provider, by utilising funds set aside in Mr T's spaces element of his bank account.

The first thing to say here is from the information I have seen, Starling weren't made aware of the DMP Mr T had set up with the debt charity and it was Mr T who had initiated the switch of his bank account. So, it's reasonable to say when the switch request was received by Starling it carried out those instructions.

Under the terms and conditions of the account Starling are permitted to offset any funds, but it's worth pointing out here the "spaces" element of Mr T's bank account isn't a separate account, but an area of the account allocated for specific spending - in this case for essential bills.

So, while Mr T may not agree I am satisfied Starling didn't act unreasonably when using those funds as part of the switch and with that in mind I won't be asking it to refund the spaces balance.

So, like the investigator Starling were within its rights to carry out the switch as requested by Mr T. That said Starling would be aware that its customers use the spaces element of the account as part of the feature offered, so it would have been sensible for it to contact him to explain it would be using those set aside funds prior to closing it.

Starling seem to have accepted that it could have explained things better to Mr T here and acknowledged that by paying £100 in compensation.

That said the knock-on effect of this has caused Mr T further financial issues and like the investigator I feel a further £150 for the trouble and upset is appropriate, which I am pleased to see Starling have accepted. While Mr T will be disappointed with my decision, I feel this is a fair outcome.

Putting things right

I instruct Starling Bank Limited to pay Mr T a further £150 by way of compensation for the trouble and upset caused.

My final decision

My final decision is that I uphold this complaint.

I instruct Starling Bank Limited to pay Mr T a further £150 by way of compensation for the trouble and upset caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 14 May 2025.

Barry White
Ombudsman