

The complaint

Miss W and Mrs W complain that Starling Bank Limited will not refund all the money Miss W lost to a scam.

What happened

While this complaint relates to a joint bank account held by Miss W and Mrs W. As the complaint has been brought by Miss W on their behalf, for ease I have referred to Miss W in my decision.

Miss W said the following debit card payments were made as a result of the scam.

Payment	Date	Amount
1	31 October 2023	£4,951.99
2	31 October 2023	£4,851.99

The details of this complaint are well known to both parties, so I will not repeat it all again here.

In summary, Miss W said she was contacted by someone pretending to be from Starling who told her that her bank account was under threat from fraudsters. Miss W said she was told to move her funds to a new account in order to secure them.

Later that evening Miss W contacted Starling to check whether the call had been genuine. It was at this point Miss W realised she had been scammed. Starling investigated the scam and refunded payment 2. Unhappy with its response Miss W complained.

Starling said it was partly responsible for Miss W's loss as the transactions did not reflect her regular activity. But it didn't think Miss W took reasonable steps to check the payments were genuine. As such it thought a partial refund was fair.

Starling also awarded Miss W £100 compensation because it said it misinformed her, it failed to manage her expectations, and because it did not cancel her card after she reported a scam.

Miss W referred her complaint to our service, but our investigator didn't think it should be upheld. He didn't think the value of payment 1 should have triggered Starling's fraud systems but agreed it should have intervened when the second payment was made. And he thought refunding payment 2 was fair.

Miss W didn't agree and in summary she says:

- Our investigator's view doesn't take into account repeated suspicious activity on the

card and account. And Starling should have noted that the account was at serious risk of fraud.

- Starling was in breach of the contingent reimbursement model (CRM) code. And the evidence highlights her vulnerability to be scammed and there was a lack of warning or action by Starling.
- Payment 1 was more than the account balance at the time and in the hour before the scam. There have been no large transfers or transactions out the account with the exception of a single £1,500 transaction. Starling should have flagged the transaction as uncharacteristic for the account.
- There seems to be no security procedure in place for Starling to deal with card payment specific scams.
- There should be no reason for Starling not to have attempted to intervene with the outgoing payment.
- Miss W has other security concerns which she doesn't think Starling considered in its investigation.

Our investigator didn't change his opinion and as an agreement couldn't be reached, the case has been passed to me to decide. I issued my provisional decision on 17 March 2025 and I said:

"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 do not intend to uphold this complaint. I know this will be disappointing to Miss W, but I'll explain why I have come to this decision.

I want to clarify that I've taken into account Miss W's detailed submissions about what happened. However, if there's something I've not mentioned, it isn't because I've ignored it. I haven't. Rather, I've focused on setting out what is key to the decision I've reached.

In broad terms, the starting position in law is that banks are expected to process payments and withdrawals that a customer authorises it to make. There is no dispute here that Miss W

authorised the payments. The applicable regulations here are the Payment Services Regulations (PSR). And in accordance with the PSR and the terms and conditions of the account, Miss W is responsible for the loss.

Miss W mentioned the requirements of a bank under the CRM code, but as the payments in question were made using her debit card, they aren't covered by the code. Nevertheless, taking into consideration the relevant regulatory rules and guidance, codes of practice and good industry practice, Starling should take steps to identify and where possible prevent sufficiently unusual or uncharacteristic payments to help protect its customers from financial

harm resulting from fraud. So, I've thought about whether Starling acted fairly and reasonably here.

I think its important to highlight that there are many payments made by customers each day, and its not reasonable for us to expect the bank to stop and check every payment instruction to try to prevent fraud or financial harm. Starling has a balance to strike between the extent it intervenes in payments to protect customers, and not unnecessarily disrupting legitimate payment instructions.

Having reviewed Miss W's account history I don't find the value of payment 1 to be unusual enough to have caused Starling concern that Miss W might be falling victim to a scam. This is because, her statements show payments of similar amounts made within the year prior to

the scam. For instance, I noted a payment of approximately £6,900 made around six months earlier and a payment for £2,250 and several payments over £1,000 made in quick succession on the same day. And while payment 1 was higher than the balance had been earlier in the day, I noted significantly higher balances at different points in the year prior.

I appreciate there had recently been suspicious activity on Miss W's account which the bank was aware of. However, these transactions related to unauthorised payments made using her card. Starling has shown it investigated this matter and took action to prevent further unauthorised transactions by issuing a new debit card. Additionally, the circumstances of this scam differs, here the payments were authorised by Miss W in her banking app, and I don't think Starling had reason to be concerned Miss W hadn't authorised them herself. Overall, I don't expect Starling to have intervened in payment 1.

However, I think it ought to have intervened when Miss W made payment 2 and it should have enquired further about the purpose of the payment. I say this because, it was of similar value to payment 1, and made in quick succession, following a large transfer into the account from Miss W's sole account, which is in keeping with known fraud patterns. And I think this should have raised concerns that Miss W might be at risk of financial harm from fraud.

Starling accepts it ought to have intervened in this payment and accepts responsibility for Miss W's losses from payment 2. It has refunded this payment and I think that is fair and is in line with what I would have asked Starling to do here.

I've also considered whether Starling did enough to recover Miss W's funds after being made aware of the scam. I appreciate the payments were still pending at the time it was reported. It's not always possible for a bank to stop an authorised payment and on Starling's website it makes it clear that pending transactions can't usually be stopped.

As the payments were made using Miss W's debit card, the only means of recovery would be through a Chargeback claim. Chargeback is a voluntary scheme that banks sign up to, and there are specific rules set by the scheme providers under which a claim can be made.

Furthermore, the payments were made to a legitimate financial business, which is a money transfer service, so its unlikely that the funds remained with this business. Therefore, unfortunately I find there was no realistic prospect of recovering Miss W's funds.

I appreciate the incident might have raised security concerns for Miss W in relation to Starling. Scams have become increasingly common over the years and scammers are more advanced. I think it might be helpful to explain that a common feature of scams such as this one, is that the scammers often know genuine information about their victims most likely gathered through other scams. So, while I appreciate Miss W's concern here, I find the information provided to be circumstantial, and I haven't seen enough to conclude Starling was responsible for what happened.

I'm sorry to hear that Miss W has been a victim of a cruel and highly sophisticated scam and has lost out as a result and I sympathise with her. I understand how upsetting this would have been and the worry it has caused. But for the reasons I've set out, I don't think Starling needs to refund payment 1. I also find the £100 compensation it paid is fair for the incorrect information Miss W was given and for failing to cancel and reissue Miss W's debit card when it should have. I don't find it needs to do anything more in the circumstances...."

Starling didn't respond to my provisional decision. And I have summarised Miss W's responses below:

- Miss W says that she doesn't appreciate that she had to wait until the transactions were no longer pending to be able to file a report for fraud.
- Miss W doesn't think adequate attempts were made to reverse the transactions.
- Miss W says there was no option given as to whether she could personally report fraud to the receiving business.
- Miss W believes that Starling could possibly offer more guidance and protection when transferring between accounts as it does with outward payments.
- Miss W also says that Starling could provide more warnings and protections over sizeable debit card payments, but evidently seem to only provide this for the other types of bank transfers, where they would be left liable if fraud took place.

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've taken into consideration Miss W's comments, but I don't find the points raised change the decision I've reached on this case.

Starling is required to have systems in place to help identify and protect its customers from financial harm from fraud and scams. However, how it goes about doing this, and the systems and processes it has in place are internal decisions its entitled to make and it's not something I would look to interfere with. Our role is to consider complaints on their individual merits and determine what is fair and reasonable in the particular circumstances of the case.

Miss W thinks Starling ought to have processes in place to provide warnings to customers making large debit card payments, which it does. The value of the payment is not all I would expect Starling to consider when deciding to provide a warning. It must also consider (amongst other things) factors such as where the payment is going, the account holders account history, whether there is a pattern forming which might be indicative of a scam. Whether payment 1 was made by debit card or bank transfer, I don't think it was sufficiently unusual or out of character for Miss W such that Starling ought to have had suspicions she was at heightened risk of harm from fraud.

Starling is expected to intervene at the point it considers there's a heightened risk of the funds being lost through fraud. The funds were still under Miss W's control while being transferred between Starling accounts in her own name. So, I don't think its reasonable to expect the bank to have intervened here. I find that when the payments were made externally there was a greater risk of the funds being lost, and I think the transfer of funds between Miss W's accounts is information a bank should take into consideration when assessing the risk and deciding whether a warning was necessary, as for instance it could indicate that Miss W's accounts were being drained which is a known characteristic of a type of scam.

Starling accepts it ought to have intervened when the second payment was made. Considering the information it had to hand about the payments and Miss W's account activities, I agree.

When Miss W first reported the matter, an initial review was carried out by the advisor during the phone call and I can see that a fraud report was made and escalated to the fraud department for further investigation. Miss W was then informed that the information had been passed on and someone from the team would be in contact and I think that's reasonable.

I understand that Miss W wasn't told about the option of a chargeback claim. It is for Starling

to consider whether the circumstances meet the guidelines and rules of the chargeback scheme and whether to submit a claim. In this case, I'm satisfied there weren't any prospects of a claim being successful and Miss W's funds being recovered through the scheme. So, I don't think Starling acted unreasonably in this regard.

I've thought carefully about everything that happened, and I know Miss W will be disappointed as she has been left out of pocket, but I'm not persuaded that Starling needs to do anything more than it already has.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs W and Miss W to accept or reject my decision before 28 April 2025.

Oluwatobi Balogun
Ombudsman