

The complaint

N, a limited company, complains that Starling Bank Limited won't refund the money it lost as the result of a scam.

N has been represented in the complaint by one of its directors, Mr B.

What happened

In August 2023 Mr B received a call on his landline from someone who claimed to be calling from Starling. Unfortunately that person ultimately turned out to be a scammer, and I'll refer to them as "the scammer" in this decision. The scammer claimed that Mr B's mobile phone had been cloned, and that the fraudsters had used information from a payment wallet on the phone to access his accounts.

At the scammer's request, Mr B logged onto N's Starling account. The scammer then referred to some fraudulent payments. This gave Mr B the impression that the scammer was looking at the account. The scammer said that if Mr B authenticated those payments, it would enable the return of the money to N's account.

The call lasted a long time, and Mr B says he asked the scammer to prove that he was calling from Starling. The scammer provided Mr B with a phone number registered to Starling. Mr B phoned the number, but when the scammer told him it was interfering with their call, Mr B hung up. The scammer made the following payments from N's account, which Mr B authenticated using the app on his phone:

	Date	Time	Payment type and payee	Amount
1	16 August 2023	18:54	Debit card to H	£4,472.92
2	16 August 2023	19:09	Debit card to F	£3,199.00
3	16 August 2023	19:19	Debit card to M	£1,500.00
4	16 August 2023	19:33	Debit card to A	£34.80
5	16 August 2023	19:48	Debit card to A	£30.80
			Total	£9,237.52

Shortly after the call with the scammer, Mr B called Starling, and it became clear that he'd been scammed. Mr B reported the scam and Starling refunded payments 2 to 5. But it didn't agree to refund payment 1.

Mr B has explained that the fact that both he and the scammer were logged in to N's account simultaneously reassured him that the call was legitimate. And the fact that the scammer was able to refer to a fraudulent payment on N's account reinforced his impression that the scammer could see the account.

He believes that Starling should have flagged payment 1, as it was a large payment to a new payee. And he considers that an effective fraud prevention system would have led to the payment being held while Starling phoned Mr B on his mobile phone to confirm the payment.

Starling says that when Mr B authenticated the payments, he'd have known that money would be leaving the account. What's more, he'd have seen a warning message. It's also commented that the scammer called Mr B from a "no caller ID" number, which it says meant that the call couldn't have been from Starling.

One of our investigators considered the complaint, but didn't think it should be upheld. In summary, he didn't think that payment 1 was out of character enough for N that Starling ought to have been concerned that N was at heightened risk of fraud. And there was nothing else which ought to have led Starling to consider the payment to be risky.

Mr B disagreed with the investigator's view, so the complaint's been passed to me.

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.

While I've taken into account everything that both parties have said, I've summarised the complaint in my own words, and have focused my decision on what I consider to be the key issues. This is permitted by our rules, and is in keeping with our role as an informal dispute resolution service.

As Starling has reimbursed N for payments 2-5, I will only consider here whether it would be fair and reasonable to require it to refund payment 1.

The payment was made by card, so the principles of the Lending Standards Board's Contingent Reimbursement Model don't apply in this case. The payment was also 'authorised'. Mr B knew that the payment was being made. 3D Secure was used, and Mr B authenticated the payment using the app on his phone. So even though he didn't intend the payment to end up with a fraudster, it was 'authorised' under the Payment Services Regulations. Starling had an obligation to follow the payment instructions it received, and N is presumed liable for its loss in the first instance. But that's not the end of the matter.

In deciding what's fair and reasonable, I'm required to take into account relevant law and regulations, regulators' rules, guidance, standards and codes of practice and, where appropriate, what I consider to have been good industry practice at the time. Taking those things into account, I think that at the time the payments were made, Starling should have been doing the following to help protect its customers from the possibility of financial harm:

- monitoring accounts and payments to counter various risks, including fraud and scams;
- keeping systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things) – especially given the increase in sophisticated fraud and scams in recent years, with which financial institutions are generally more familiar than the average customer;
- acting to avoid causing foreseeable harm to customers, for example by maintaining adequate systems to detect and prevent scams and by ensuring that all aspects of its products, including the contractual terms, enabled it to do so;
- in some circumstances, regardless of the payment method used, taking additional steps, or making additional checks, before processing a payment, or, where appropriate, declining to make a payment altogether; and

- being mindful of - among other things - common scam scenarios, how fraudulent practices were evolving and the different risks these can present to consumers when deciding whether to intervene.

Banks have obligations to be alert to fraud and scams and to act in their customers' best interests. But they process many thousands of transactions each day, and can't reasonably be involved in every one. In deciding what, if any, action Starling should have taken when N made payment 1, there's a balance to be struck between intervening on the one hand, and the risk of causing undue inconvenience or delaying a legitimate payment request on the other. And I think it was reasonable of Starling to consider a range of factors when deciding whether to take any additional steps before making the payment.

N's account with Starling had been open for less than a year when the payments were made to the scam. The payment was higher than typical payments from N's account, but there'd been a couple of payments larger than payment 1. I acknowledge that £4,472.92 is a significant amount of money, but I don't consider that it was so high that Starling ought to have been concerned that N was at heightened risk of financial harm from fraud, based on the size of the payment alone. I've also borne in mind that a healthy balance remained in the account after payment 1 was made, in contrast to the situation we see in some scams where an account is suddenly drained.

Mr B has pointed out that N hadn't made any previous payments to the payee in question. But it's not unusual for payments to be made to new payees, particularly in the case of a business account. Starling has provided evidence that the merchant code for payment 1 was "Merchandise and Services – Customer Financial Institution", and I don't consider that there was anything about that which ought reasonably to have raised Starling's suspicions.

Taking everything into account, I think payment 1 would reasonably have appeared to Starling to be a legitimate one-off payment to a payee in return for merchandise or services. And I don't think it was unreasonable of it not to intervene further before processing the payment.

Starling has accepted that it should have identified that something might be wrong, and so should have intervened, when N made payments 2-5. But the context of payment 2 was different from payment 1. It was a second substantial payment to another new payee, and was made 15 minutes after payment 1. What's more, it was to an international payee. And I don't consider that it follows from the fact that Starling agreed to refund payment 2 and the subsequent payments, that it should also agree to refund payment 1.

Mr B has suggested that the fact that Starling didn't, in fact, intervene when payments 2-5 were made implies that it didn't have fraud detection systems in place. I'm confident that Starling does have fraud detection and transaction monitoring systems. I accept that they didn't flag payments 2-5 as suspicious. Starling has accepted that they weren't in line with N's usual spending pattern, and it's refunded those payments. But for the reasons I've set out, I don't consider that Starling could reasonably have been expected to identify payment 1 as carrying a heightened risk of financial harm from fraud.

As it was, Starling has provided a screenshot of a warning that would have been displayed when Mr B authenticated the payment. It says *"Has someone called you and asked you to use this screen? If so, tap 'Reject'. It's a scam, and you could lose your money."* Starling's records show that Mr B went ahead and authenticated the payment.

Taking everything into account, I don't consider that I can fairly require Starling to refund payment 1 to N's account.

I've considered whether Starling did what could reasonably have been expected to recover payment 1. The payment was authorised. And as it's likely that the goods or services were provided by the merchant, albeit to the scammer rather than N, I think it's unlikely that a chargeback claim would have had any realistic prospect of success. As it is, Starling has provided evidence that it did contact the merchant, but was unsuccessful in recovering the money. I don't think that there was anything more that Starling could reasonably have been expected to do.

I realise that Mr B will be disappointed with my decision. It isn't in dispute that the payments were made as part of a sophisticated scam, and I don't underestimate the impact it will have had on N, or on Mr B himself. But I can only require Starling to refund payment 1 if I'm satisfied that it did something wrong, or failed to do something that it should have done. And for the reasons I've set out, I don't consider that it did.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 22 August 2025.

Juliet Collins

Ombudsman