

The complaint

Miss B complains Starling Bank Limited unfairly blocked and closed her account and wrongly applied a Credit Industry Fraud Avoidance System ('CIFAS'- the UK's fraud alert service) marker against her name.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Miss B held an account with Starling which she opened in May 2023. In September 2024 Starling blocked and reviewed the account. This was due to a report of fraud it had received regarding an incoming payment into Miss B's account on 13 September for £305.99.

Starling asked Miss B for details of the payment. Miss B explained she had sold a phone online, and this later changed to a phone accessory. Miss B said the item was delivered, and the buyer became malicious. Miss B was unable to provide contact between herself and the seller as the messages have disappeared and she has been blocked by the buyer. Miss B said the item was delivered face to face, and she was unable to provide any further evidence. Miss B provided Starling with the buyer's phone number.

Starling reviewed Miss B's comments, alongside the fraud claim and made the decision to close Miss B's account immediately. Starling also loaded a CIFAS marker against Miss B for 'misuse of facility'. The marker will expire on 18 September 2030.

Miss B raised a formal complaint about the handling of her account. Starling issued an initial response to Miss B's complaint on 25 September 2024 explaining that it was unable to provide a timescale for the account review, and that it was blocked and closed in line with the account terms and conditions. Starling also explained it wasn't obliged to provide Miss B with a detailed explanation as to how it reached its decision.

Following this complaint, Miss B raised concerns separately regarding Starling's decision to apply a CIFAS marker against her name. Miss B's complaint was that the application of the marker was unfair, and the presence of the marker was having a detrimental effect on her personal, professional and financial situation. Starling reviewed her concerns and, in its letter, dated 22 November 2024 it explained it had acted appropriately in applying the marker and the necessary CIFAS principles had been adhered to.

Unhappy with the response received, Miss B referred her complaint to this service. In the submissions made to this service, Miss B explained her difficult personal circumstances and this being the reason for selling the item. The Investigator reviewed Miss B's comments and gathered the necessary evidence, and in summary, made the following findings:

- The account block was fair and in keeping with Starling's legal and regulatory duties.
- Starling closed the account in line with the account terms and conditions.
- The CIFAS marker was fairly applied by Starling. It asked reasonable questions of Miss B and without further evidence to support her version of events it wouldn't be

appropriate for Starling to remove the marker.

Miss B disagreed with the Investigator's review, and provided further submissions. Miss B explained the marker was having a serious impact on her, and the stress and anxiety meant she was unable to work. Miss B elaborated on her personal situation and referenced her gambling addiction and the difficult family situation she was in. The Investigator reviewed Miss B's additional submissions, but their opinion remained unchanged.

Miss B didn't accept the Investigator's findings and maintained he had been treated unfairly. As no agreement could be reached the complaint was referred to me – 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.

I appreciate Miss B was disappointed by the Investigator's opinion. I'd like to reassure Miss B that I've considered the whole file and what's she's said. But I'll concentrate my comments on what I think is relevant. If I don't mention any specific point, it's not because I 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. No discourtesy is intended by me in taking this approach. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts.

Firstly, I am sorry to see Miss B has had cause for complaint. I don't underestimate the worry and anguish this situation has caused, and also the stress of dealing with the complaint about it. I appreciate her sharing details about her challenging personal circumstances, and she has my sympathy. Having looked at the complaint fully, my review of the evidence has led me to the same overall conclusions as the Investigator previously set out and for much the same reasons. I will explain why.

Account block and closure

As a UK financial business, Starling is strictly regulated and must take certain actions in order to meet its legal and regulatory obligations. It's also required to carry out ongoing monitoring of an existing business relationship. This includes establishing the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. That sometimes means Starling needs to restrict, or in some cases go as far as closing, customers' accounts.

As Miss B is aware, an incoming payment into the account was reported as fraudulent and this resulted in Starling blocking the account. Having carefully considered this, I'm satisfied Starling blocked the account and then closed it in line with the obligations it must adhere to. In addition, Starling is entitled to close an account just as a customer may close an account with it. But before Starling closes an account, it must do so in a way, which complies with the terms and conditions of the account. Having reviewed the terms of the account held by Miss B, I'm satisfied Starling's decision to close the accounts is in keeping with them and appropriate in the circumstances.

I know Miss B feels Starling has acted unfairly given the lack of information provided to her about the closure. Ultimately Miss B would like a detailed explanation as to why Starling took these actions. But Starling isn't under any obligation to provide further details to Miss B. I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from regulated businesses as confidential for a number of reasons – for example, if

it contains security information, or commercially sensitive information. Some of the information Starling has provided is information we consider should be kept confidential. Having carefully considered this information, I'm satisfied Starling acted fairly in deciding to end its banking relationship with Miss B.

Starling informed Miss B of its intention to close her account and provided a week for her to make alternative banking arrangements. The account remained blocked in this time, which I consider akin to immediate closure. The terms of Miss B's account allow Starling to close her account immediately in specific circumstances and I'm satisfied the necessary requirements had been met in Miss B's case. Miss B says Starling's decision to close her account immediately caused her distress and inconvenience. I do appreciate this matter would've caused Miss B some difficulty. However, I can see that at the time Miss B had multiple accounts with other providers, which would've alleviated some of the impact of the closure of this account. So although I understand the closure caused inconvenience, I don't consider this to be exceptional in Miss B's case.

CIFAS marker

As part of its regulatory duties, businesses will use databases to share information. CIFAS is a fraud prevention agency, which has a large database on which information is recorded to protect financial businesses and their customers against fraud. When a bank is a member of CIFAS, it can record a marker against a customer when that customer has used their account fraudulently. This type of marker will stay on a customer's record for a specific period, depending on the customer's age and will usually make it difficult for that customer to take out new financial products. CIFAS forms an important part of the financial services regulatory framework and is intended to assist in the detection and prevention of financial crime.

In order to file such a marker, Starling is not required to prove beyond reasonable doubt that Miss B is guilty of a fraud or financial crime, but it must show that there are grounds more than mere suspicion or concern. CIFAS says:

- There must be reasonable grounds to believe that an identified fraud or financial crime has been committed or attempted; and
- The evidence must be clear, relevant and rigorous such that the member could confidently report the conduct of the subject to the police.

What this means is that Starling will need strong evidence to show that Miss B has used the account to receive fraudulent funds. A CIFAS marker shouldn't be registered against a customer who has acted unwittingly – there must be evidence of a deliberate fraudulent action. The application of a CIFAS marker can have serious consequences for an individual, so this service expects business to carry out a thorough review of the available evidence.

My role is to establish if Starling has sufficiently demonstrated it has met the burden of proof set out by CIFAS to load the marker against Miss B. Starling has provided this service with details of the investigation it carried out following the fraud report it received. This included a detailed review of Miss B's account activity. It also provided Miss B with an opportunity to provide her version of events and further evidence. At this stage Miss B provided details of item she sold online, but she was unable to provide information to substantiate her version of events – such as messages between her and the seller, the post with details of the item or delivery communication or confirmation. Starling weighed up this evidence, against the details of the fraud claim made, and found the requisite bar had been met for applying the marker. I think Starling acted reasonably in loading the marker against Miss B based on the evidence it held.

When Miss B raised her complaint with this service, she provided further details about her circumstances and the sale of the item. I've thought carefully about whether the application of the marker is fair in light of these additional submissions. Miss B says she was unable to provide the messages as she had been blocked by the buyer and she tried to restore her phone's back up to access the messages, but this was unsuccessful. Miss B explained the delivery was carried out face to face, so there is no information regarding delivery. Miss B maintains the item was sold in good faith, and has provided a photo of the box the item came in. Miss B also provided details of her personal circumstances which explain why the item was being sold, and the difficult situation she was in with regards to her gambling addiction and personal home life.

I've thought carefully about this evidence, and I don't consider it sufficient for this service to direct Starling to remove the marker. Miss B says the marker has been applied based on an unverified claim from a third party. However, Starling is under a duty to take such claims seriously and at face value. It is required to gather evidence from both sides – which it did, and assess this in light of its regulatory duties. I must also highlight that further evidence has been provided regarding the fraud claim, and although I am unable to share details with Miss B, the evidence supports the premise that the payment received in was fraudulent.

Miss B has referenced a protective CIFAS marker that was placed against her name which suggests she is herself a victim of potential fraud. I've considered Miss B's submissions about this, and although this marker has been applied to Miss B, it doesn't detract from the evidence Starling has relied on to apply the marker against Miss B, and there isn't a direct connection between the two markers based on the information that I've seen.

As part of her complaint to this service Miss B has highlighted her challenging personal circumstances. Miss B says Starling has failed to consider these as mitigating factors and disregarding them is unfair. I appreciate Miss B's openness about the challenges she has faced. Miss B was in a vulnerable position, and I would expect Starling to support her in the appropriate manner based on what Miss B disclosed to it. However, I don't think this support extends to Starling setting aside its regulatory and legal duties and not recording a CIFAS against Miss B. Ultimately, Starling is under a duty to accurately record information about all its customers, and it must do so in an objective manner. Further, the test set out by CIFAS doesn't ask businesses to make judgements on each individual customer. Instead, the test sets out clear requirements that enable businesses such as Starling to make evidence and fact-based decisions. I therefore find Starling's actions to be fair in the circumstances.

I can see Miss B has provided details about the impact the CIFAS marker has had on her finances and professional life. The loading of a CIFAS marker can have serious consequences, and I am sorry to learn of the impact Starling's decision has had on her at what is already a challenging time. Having reviewed Miss B's comments and the supporting evidence I don't find these allay the concerns regarding fraud and clearly show Miss B is entitled to the funds that entered her account. This means I agree that the evidence available equates to more than mere suspicion or concern of fraudulent activity. I therefore find that the marker was loaded fairly.

I appreciate Miss B will be disappointed with my decision, but I am satisfied Starling acted reasonably in taking this action to discharge its regulatory obligations. I hope my decision provides some clarity around why I won't be asking Starling to take any further action.

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 Miss B to accept

or reject my decision before 19 June 2025.

Chandni Green
Ombudsman