

The complaint

Mr N complains that Starling Bank Limited hasn't reimbursed the money he says he's lost to a scam.

What happened

On 24 February 2021, Mr N invested £105,000 via faster payment with a company I'll refer to as 'K'. Mr N was promised a return of 500% on his investment, or his money back, but this promise has not been fulfilled.

Mr N believes he has fallen victim to an investment scam. He raised a fraud claim with Starling on 7 April 2022.

Starling was unable to recover Mr N's money from the receiving account, and it has declined to reimburse him under the Lending Standards Board's Contingent Reimbursement Model ('CRM Code') as it says this is a civil matter between Mr N and K.

Mr N referred a complaint to this Service which our investigator considered but didn't uphold. She said she believes this matter is a civil dispute, which isn't covered by the CRM Code.

Mr N asked for an ombudsman's final decision, so the case has now been passed to me to decide.

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.

In considering what's fair and reasonable, I'm required to take into account: relevant law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the relevant time.

Having looked at everything, I can see no basis on which I can fairly require Starling to refund the payment in dispute. I realise this will be disappointing news for Mr N, and it isn't the outcome he'll be hoping for, but I'll explain my reasoning below.

In broad terms, the starting position at law is that a firm is expected to process payments and withdrawals that its customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account.

When Starling processed the payment to K, it was complying with Mr N's payment instruction, as it is obliged to do. At the time, Mr N wanted to pay K and there was no mistake made – his money was sent to the correct account details.

Starling signed up to the CRM Code, and it was in force when the disputed payment was made. Under the CRM Code, the starting principle is that a firm should reimburse a customer who has been the victim of an Authorised Push Payment ('APP') scam. The relevant definition of a scam from the CRM Code is that the customer transferred funds to

another person for what they believed were legitimate purposes, but which were in fact fraudulent.

The CRM Code is quite explicit that it doesn't apply to all APPs. It says:

"DS2(2) This code does not apply to:

(b) private civil disputes, such as where a Customer has paid a legitimate supplier for goods, services, or digital content but has not received them, they are defective in some way, or the Customer is otherwise dissatisfied with the supplier."

So, in order to determine whether Mr N has been the victim of a scam as defined in the CRM Code, I need to consider whether the purpose he intended for the disputed payment was legitimate, whether the payment purposes Mr N and K intended were broadly aligned, and then, if they weren't, whether this was the result of dishonest deception on the part of K.

From what I've seen and what Mr N's told us, I'm satisfied he made the disputed payment for investment purposes, and I haven't seen anything to suggest he didn't believe in K's legitimacy at the time. But I'm not satisfied the evidence I've seen suggests that K intended a different purpose for the payment, or that Mr N's and K's purposes for the disputed payment weren't broadly aligned. I say this because:

- K is a registered company, that had been active on Companies House for a few years before the disputed payment was made. I wouldn't necessarily expect a scam company to be registered and filing accounts for a number of years.
- K appears to have invested Mr N's money, and he received a substantial payment back from his investment in June 2021. This would be unusual in the case of fraud.
- I haven't been provided with evidence of an investigation by any external organisation which concludes that K was operating a scam. Evidence from one external organisation that I have seen concludes that there's no evidence K was operating a scam/didn't invest Mr N's money as intended, and the 'money back guarantee' is a civil issue.
- The banking evidence I've seen indicates that K is a genuine business that has been operating a business account as I'd expect to see, with no other fraud concerns raised against it whilst it was operative.
- Amongst other things, Mr N has referred to K utilising pressurised sales tactics, using poor contract terms and making excuses not to repay his investment, and its unauthorised status with the Financial Conduct Authority ('FCA'). I've carefully considered the arguments he's raised but I'm not persuaded they evidence a scam. They may indicate poor business practices and poor financial management, but that is not the same as the intention to operate a scam. The lack of FCA authorisation in itself is also not proof of a scam.

Most investments carry a level of risk. Overall, although I accept that Mr N may not have received the level of returns he expected from his investment, I don't think the available evidence indicates that he's fallen victim to a scam. From what I've seen, he's invested with a legitimate business, and his investment hasn't performed as well as expected. I'm not persuaded there's an indication that K set out to deceive or trick Mr N into paying money over which it had no intention of investing. As such, I think this matter is a civil dispute between Mr N and K, and I don't think Starling is responsible for reimbursing Mr N because of any obligation under the CRM Code.

Looking beyond the CRM Code, at a firm's responsibilities to protect customers from financial harm through fraud, I can still find no reason to say Starling ought to bear responsibility for Mr N's loss. The reasoning here is broadly the same as above, given that the disputed payment wouldn't be defined as being made as part of an APP scam. But,

beyond that, if Starling had intervened in the disputed payment and questioned Mr N, I'm not persuaded it would've uncovered that an APP scam was taking place considering the information that was widely available at the time, and the evidence that's available now.

As for attempts to recover funds, I've seen that Starling initiated attempts within a reasonable timeframe.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 23 October 2025.

Kyley Hanson
Ombudsman