

The complaint

Miss C complains Starling Bank Limited (“Starling”) applied an adverse fraud marker against her and closed her account despite selling goods legitimately through a social media platform.

What happened

The details of this complaint are well known by both parties, so I won’t repeat them again here in detail. Instead, I’ll focus on setting out some of the key facts and on giving my reasons for my decision.

In January 2024, Miss C says she received two payments from a third-party to whom she had sold two high-value items through a social media platform and word of mouth. In May 2024, Starling received fraud reports about these payments and asked Miss C for proof of her entitlement. Miss C says she cannot provide any evidence as the messages disappeared and they would have been on her previous phone. Miss C has also explained she was vulnerable at the time particularly as she was homeless.

Starling closed Miss C’s account with seven days’ notice. Later, Miss C discovered Starling had applied a CIFAS (Credit Industry Fraud Avoidance System) ‘misuse of facility’ marker against her. Miss C complained and referred the matter to this service.

One of our Investigator’s looked into Miss C’s complaint and recommended it wasn’t upheld. In summary they said Starling had applied the marker fairly as Miss C wasn’t able to provide any evidence of entitlement to the funds or that she owned the goods she had sold. They also thought Starling closed the account fairly.

Miss C didn’t agree with what our Investigator said. She added that when she got her new phone a lot of the data was lost particularly as the sales took place over a year ago. Miss C emphasised that the CIFAS marker was making her life very difficult.

As there was no agreement, this complaint has 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.

Having done so, I have decided not to uphold this complaint. I’ll explain why.

CIFAS marker

Starling says the marker it filed with CIFAS is intended to record there’s been a ‘misuse of facility’ – relating to using the account to receive fraudulent funds. In order to file such a marker, Starling is not required to prove beyond reasonable doubt Miss C is guilty of a fraud or financial crime, but it must show there are grounds for more than mere suspicion or concern.

CIFAS says:

- That there are reasonable grounds to believe that a Fraud or Financial Crime has been committed or attempted.
- That the evidence must be clear, relevant, and rigorous.

What this means in practice is that a financial business must first be able to show fraudulent funds have entered Miss C's account, whether they are retained or pass through the account. Having looked at the information Starling has given me, I'm satisfied fraudulent funds entered Miss C's account. I have seen fraud reports from an external financial institution reporting their customer had fallen victim to fraud. I'd add too here that the type of fraud being complained of isn't consistent with Miss C's account of what happened. This provides Starling with grounds for more than mere suspicion or concern.

Secondly, Starling will need to have strong evidence to show the consumer was deliberately dishonest in receiving the fraudulent payments and knew it was, or might be, an illegitimate payment.

A marker shouldn't be registered against someone who was unwitting; there should be enough evidence to show deliberate complicity. So, I need to consider whether Starling has enough evidence to meet the standard of proof and load a marker for a misuse of facility with CIFAS.

Having carefully considered this point, I'm persuaded that Starling has applied the marker fairly. I say that because Miss C hasn't been able to provide any evidence of the sale of the goods nor of her ownership. It's possible Miss C has lost all the evidence in the way she says, and I have considered what she has said about her vulnerabilities at the time. But without anything tangible to show she acted in good faith, I'm unable to say she was likely unwitting. So, I won't be directing Starling to remove the marker.

Account closure

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. The terms and conditions of the account, which Starling and Miss C had to comply with, say that it could close the account by giving her at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

Starling closed Miss C's account with seven days' notice. I'm satisfied from its explanation and the supporting information it's provided, that it did so in line with its terms and conditions.

As I don't think Starling has done anything wrong in applying the CIFAS marker, and in closing Miss C's account, I see no basis in which to award compensation for any distress and inconvenience she's suffered.

My final decision

For the reasons above, I have decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 16 June 2025.

Ketan Nagla
Ombudsman