

## The complaint

Mr D complains about a claim he made to Starling Bank Limited (Starling) in respect of an unauthorised transaction on his account, and the resulting default applied to his account for non-payment of arrears.

## What happened

On 17 June 2021, a transaction of £179.88 was debited from Mr D's current account with Starling. This transaction caused Mr D's account to become overdrawn to the amount of £176.45. The payment was made towards membership of a networking service (the merchant).

Starling contacted Mr D to let him know his account had entered an unauthorised overdraft and he had arrears on his account which required settlement. Mr D responded to say his card had been lost and he had not authorised this transaction. As such, Starling raised a chargeback dispute on Mr D's behalf under the reason code 'transaction not authorised'.

In July 2021, Mr D was sent multiple notices of the arrears on his account by Starling. On 26 July 2021, Starling confirmed that the merchant had defended the dispute and shown it a valid authorisation code for the transaction. As Starling was satisfied the transaction had been authorised, Starling informed Mr D it would not be continuing with the dispute any further.

On 4 August 2021, Starling contacted Mr D concerning the arrears on his account and Mr D said he was unhappy with the outcome of the dispute. It was agreed during this conversation that Starling would raise a further fraud chargeback dispute as Mr D maintained he had not authorised the transaction.

Over the course of this month, Starling sent information requests to Mr D in order to gather information about the fraud dispute and as the information request went unanswered, the dispute was not progressed any further.

Starling continued to contact Mr D concerning the arrears on his account however from early September 2021, its calls and messages failed to go through as Mr D's contact telephone number had changed. Starling sent Mr D a notice of sum in arrears (NOSIA) and a default notice letter to his home address before placing a default on the account on 15 October 2021.

Further NOSIA letters were issued six months apart in 2023 and 2024 before Mr D contacted Starling in October 2024 to raise a complaint. Mr D said he was unhappy with the outcome of the dispute as he did not authorise the payment to the merchant. Mr D said his Starling account is not his main account, and the arrears have caused his credit file to be affected, causing him problems obtaining a mortgage.

Starling reviewed the complaint and defended its position. It said it had raised a dispute which was successfully defended by the merchant as it had shown the transaction had been authorised. Starling said it was looking to raise a fraud dispute, but it could not do so when

Mr D failed to respond to its request for information. By the time the complaint was raised in October 2024, the time to raise a dispute had passed as it had been more than 120 days since the transaction took place. Starling said the account had been handled correctly and the default applied fairly.

Mr D brought his complaint to our service. He said he did not authorise the payment, did not receive any correspondence from Starling concerning needing to provide further information as he no longer had the banking application and believes his complaint remains valid as he was unaware information was required. Mr D wanted the transaction to be removed from his account and for the default to be removed from his credit file.

Our investigator issued two views. Ultimately, she concluded that Mr D had been treated fairly with regard to his chargeback disputes. Due to the passage of time, the business has not been able to provide us with the evidence provided by the merchant in its defence but ultimately, no evidence has been presented which the investigator thought would convince her the chargeback would have been successful. The investigator said that as Starling had been asking Mr D for information about the transaction and he had failed to provide it, she didn't think it had treated Mr D unfairly. On the default, our investigator concluded that it had been applied fairly, and we would not ask Starling to remove it from Mr D's credit file.

Mr D disagreed with this outcome and asked for an ombudsman to consider the complaint. He said he did not receive the default notice or NOSIA's, he questioned why these documents had been sent by post when he was studying in a different area of the country at the time and could not receive the post which had been sent to his home address, he did not receive digital communication concerning the arrears and the application of the default was unfair and breached the Financial Conduct Authority's (FCA) principles of treating customers fairly. So, the complaint 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.

I would like to start by saying that I have provided a brief summary of the events that occurred above. I intend no discourtesy by this and can assure both parties that I have taken all the information provided into consideration when reaching a decision on this complaint.

In this decision, I'll concentrate my comments on what I think is relevant. If I don't comment on a specific point, it's not because I've failed to consider it, but because I don't think I need to comment in order to reach a fair and reasonable outcome. Our rules allow me to do this, and this reflects the nature of our service as a free and informal alternative to the courts.

### **Chargeback**

Chargeback is a voluntary scheme under which settlement disputes are resolved between card issuers and merchants, under the relevant card scheme. A card issuer will review the claim against the possible reasons for a chargeback and look at whether it would be able to make a successful claim for the customer. Card issuers do not have to submit claims and usually will only do so, if it is likely to be successful. We don't expect them to raise a claim if there is little prospect of success.

The dispute history shows that Starling contacted Mr D promptly on his having entered into arrears on his account and that it also raised a chargeback dispute promptly on having been informed that Mr D did not authorise the transaction as his card was lost. I understand his card was cancelled and a new one was issued at the time as well.

Starling has said the merchant defended the dispute and showed it that the transaction had been properly authorised. It also informed Mr D of the same in July 2021. Unfortunately, due to the passage of time, Starling has not retained or been able to provide us with a copy of the merchant's response to determine for ourselves whether it was reasonable or not for Starling to challenge the merchant further at the time.

Due to the systems used when raising chargeback's, it is common for all financial providers to only have this information available to them for a certain amount of time. Considering the dispute was raised in 2021 and the complaint was not raised until 2024, I do not find it unreasonable that Starling no longer has access to this information.

That being the case, it is impossible for me to assess whether Starling's actions were fair and reasonable in choosing not to pursue the dispute further. And in the absence of any meaningful information in relation to the merchant's defence, I am unable to agree that Starling made a mistake when dealing with this dispute. I appreciate why Mr D might find this to be unfair, however I do not find it reasonable to assume that Starling made any errors at this time. In the absence of the evidence required to be able to properly assess this, I cannot safely conclude Starling didn't treat Mr D fairly purely because a complaint has been brought after so much time has passed.

As Mr D continued to state the transaction had not been authorised, Starling then looked to raise a fraud chargeback dispute. I can see that it asked reasonable questions of Mr D in order to gather information to raise a successful dispute and did not receive a response. Based on that, I do not find Starling acted unreasonably in failing to raise the dispute at that time. I also find that it was outside the time frame set out in the chargeback rules to raise the dispute when Mr D complained about this in October 2024.

Mr D has said he did not provide a response to Starling as he did not receive an information request. Having reviewed the entirety of Mr D's communications with Starling, I find it most likely the correspondence was sent by Starling. If Mr D did not receive it, then I do not find that Starling should be held accountable for this. Mr D was receiving messages on the banking application and responding to them. He said he had deleted the application on a phone call, and then at a date further on, read messages sent through the system indicating he had reactivated the application. In these circumstances, it was reasonable for Starling to continue to use this method to ask Mr D for information. And I note that Mr D did not proactively chase Starling for an update to mitigate his circumstances if he did not receive communication from it concerning the fraud dispute. So, I am not inclined to agree Starling made any errors in communication at that time.

### Default

Mr D argues that as he did not authorise the transaction, and did not receive communication concerning the default his credit file should not have been affected. He tells us of the lasting impact this has had on his life and wellbeing.

I note that Starling sent numerous messages to Mr D whilst the chargeback dispute was ongoing, about the arrears on his account. In the normal course of practice, when a dispute is ongoing the payment is reversed until an outcome has been reached. I can't see that this happened here, but I find that this had no lasting effect that needs to be put right as the dispute was raised on 25 June 2021 and was declined on 26 July 2021 (which is when the charge would be reapplied to the account), and no interest was added to the overdrawn amount during this time. Mr D was clearly aware at the time of the outstanding arrears on his account and the outcome of the dispute had been communicated so he was aware that he was liable for the amount.

Following the dispute's conclusion, Starling contacted Mr D via application message, phone call, SMS text messages and letter to inform him of the arrears. At some point in September 2021, it is likely based on the information available that Mr D changed his phone number as Starling were no longer able to communicate by phone call or SMS text messages. The obligation in these circumstances is on the customer to ensure that their contact details are updated with the financial provider, especially since Mr D was aware there was an outstanding balance on the account.

Mr D has concerns about the NOSIA and default notice having been sent to him by letter. The Consumer Credit Act 1974 and Consumer Credit (Enforcement, Default and Termination Notices) Regulations 1983 outline the requirements on financial service providers when issuing default notices, and one of these is that it be sent in writing (letter). I appreciate Mr D has said he was elsewhere at the time; however, Starling fulfilled its obligations by sending these letters which were issued to the address provided by Mr D. If Mr D failed to update his address, then I cannot hold Starling liable for that.

Based on the history and amount of times Starling informed Mr D of the arrears, I find it reasonable to conclude he had reasonable awareness of the arrears and if he did not receive the letters then he might not have known the consequences, but Starling should not be held liable for that as it acted appropriately in the circumstances. Mr D has asked why he did not also receive a message through the application, but there was no obligation to do this when a letter had been sent to the address Mr D registered with it.

Having reviewed the arrears history, the communication from Starling surrounding this and the ultimate action it took in defaulting the account (including the time frame in which this occurred) I find that the default was applied reasonably. I am not without empathy for the situation Mr D finds himself in, especially considering what he has said about attempting to obtain a mortgage and the other effects this has had on him, but having considered all the information provided, I do not find that Starling has treated him unfairly.

### **My final decision**

My final decision is that I do not uphold this complaint against Starling Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 28 July 2025.

Vanisha Patel  
**Ombudsman**