

The complaint

Mr B complains that Starling Bank Limited (“Starling”) won’t refund in full the money he lost when he fell victim to an impersonation scam.

What happened

In May 2024, Mr B fell victim to an impersonation scam. He received a call from an individual who claimed to be from Starling’s fraud team, and they said there had been fraudulent activity on his account. Under the guise of protecting his Starling account and other accounts, which he was led to believe had also been compromised, Mr B agreed to have his bank and credit cards collected from his home and sent to a lab for tests. He also shared the PIN for his cards during the call as he understood it was the only way the fraud team could get into the cards to clean any viruses.

Mr B also recalls being asked to transfer money from another account into his Starling account to ensure the security level was raised. He also authorised transactions in his Starling banking app, which the caller told him he needed to do to send the money into a new secure account. Mr B says the caller told him the names of the payees the money went to were bogus companies.

The caller rang Mr B twice every day for three days. On the fourth day, after he noticed a transaction to a finance company, Mr B decided to contact Starling to check if the account was under investigation. It was then that he realised he’d been scammed. Several payments had been made using his Starling card over that period. These included online payments where his card details were used, as well as transactions made using the physical card including cash withdrawals.

The following debit card transactions are relevant to this complaint –

Payment	Date	Transaction Type	Amount
1	17 May, 13:45	Online	£990.00
2	17 May, 13:47	Online	£990.00
3	17 May, 14:02	Online	£1,920.00
4	17 May, 14:10	Online	£1,920.00
5	17 May, 14:18	Online	£970.00 <i>(suggested trigger point)</i>
6	17 May, 14:24	Online	£1,000.00
7	17 May, 15:02	Online	£1,385.50
8	17 May, 17:03	ATM	£300.00
9	18 May, 00:01	ATM	£300.00
10	18 May, 09:18	Online	£1,000.00
11	18 May, 09:50	Online	£2,500.00
12	18 May, 10:02	Online	£1,910.00
13	18 May, 10:06	Online	£1,910.00
14	18 May, 10:09	Online	£1,000.00

15	18 May, 10:37	Chip and Pin	£1,399.00
16	19 May, 01:04	ATM	£300.00
17	19 May, 09:23	Online	£900.00
18	19 May, 09:27	Online	£990.00
19	19 May, 09:30	Online	£980.00
20	19 May, 12:06	Chip and Pin	£3,198.00
21	19 May, 12:12	Chip and Pin	£3,198.00
22	19 May, 14:36	Chip and Pin	£630.00
23	20 May, 09:08	Online	£1,100.00
24	20 May, 09:10	Online	£1,100.00
25	20 May, 09:25	Online	£1,100.00
26	20 May, 09:26	Online	£1,100.00
27	20 May, 09:29	Online	£550.00
28	20 May, 10:41	Chip and Pin	£4,797.00
29	20 May, 13:17	Chip and Pin	£230.00
30*	20 May, 01:49	ATM	£250.00
31*	20 May, 03:05	ATM	£50.00
		Payment Total	£39,967.50

* not previously considered by the investigator or Starling

Starling investigated Mr B's scam claim and initially refunded £9,702.75. It said it recognised it could have done more to protect Mr B, but it also believed he could have taken more care by following the warnings provided. Unhappy with this outcome, Mr B complained to Starling. The bank decided to provide a further refund of £7,026.00, bringing the total amount refunded to £16,728.75. It also paid £150 compensation in recognition of the distress and inconvenience the matter had caused Mr B.

Our investigator thought that the online card payments were authorised and those made using the physical card weren't. But, by handing over his card and disclosing the PIN, Mr B had failed with gross negligence. Meaning, he was presumed liable in the first instance for both the authorised and unauthorised transactions. The investigator also considered Starling's duty to prevent fraud and concluded that the bank should have intervened during Payment 5 (see above table) when a pattern of unusual spending began to emerge. Had it done so, the investigator was satisfied that the scam would have unravelled, and further losses prevented. But they also considered a deduction for contributory negligence was warranted given Mr B's role in what happened.

So, the investigator agreed with Starling in principle that both parties ought to share responsibility for what happened. But they weren't persuaded that Starling's calculations were correct, and they asked the bank to make a further payment to cover the difference. The investigator also asked Starling to pay 8% simple interest to the additional refund. After a few email exchanges, the investigator and the Starling agreed that the additional amount the bank needed to refund was £1,872.75 plus interest.

Mr B disagreed that putting his cards in a taxi amounted to gross negligence, given how clever the scammer was. He also said he didn't disclose the PIN for his Starling card. In his appeal, Mr B also said that the providers of all the cards he disclosed the PIN for had refunded his money, and none of them mentioned gross negligence. He believes that this should set a precedent.

As the dispute couldn't be resolved informally, the matter was passed to me to decide. I contacted Starling as I'd noticed there were two more transactions (Payments 30-31) which appeared to be made as part of the scam but which neither the investigator nor the bank had

included in its investigation. Starling provided the dates and times of these transactions and said it couldn't tell whether they'd been missed by the bank's investigations team or not reported when Mr B raised a scam claim. The bank also said it would take the transactions into account if they're included in the claim when I provide my 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'd like to start by thanking Mr B and Starling for their patience while waiting for the complaint to be reviewed by an ombudsman. I'm sorry to hear that Mr B has lost a significant sum of money in such a cruel way and this incident continues to impact him. I'd like to reassure him that although I've only summarised the background and arguments, I have considered everything that's been submitted in its entirety.

It's common ground that Mr B fell victim to a sophisticated social engineering scam. The relevant law here is the Payment Services Regulations 2017 (PSRs). In simple terms, the starting point is that Mr B is responsible for authorised payments, and subject to certain exceptions Starling would generally be liable for unauthorised payments.

Is Mr B responsible for the payments in the first instance?

To consider a payment authorised, the PSRs explain that Mr B must have given his consent to the execution of the payment transaction – and that consent must be in the form, and in accordance with the procedure, agreed between him and Starling.

To establish the agreed form and procedure, I've reviewed the terms and conditions that Starling has referred us to. They state:

“Section 1: Use of your account

...

When you approve a payment via the App or Online Banking, you confirm to us that you are authorising us to process the payment on your behalf.”

and

“Section 5: Using your Card

Your Starling Debit Card

...

Your card(s) can be used by default at any Merchant to make purchases in-store, via internet, over the phone and through Digital Wallet(s). You can also use your card(s) to obtain cash through automated teller machines (ATMs) or by using the Post Office Counter Services (where this is available).”

The technical evidence provided by Starling shows that the online card payments were completed through additional authentication in Mr B's Starling app. On each occasion, the payment was approved using biometrics. Mr B also recalls approving some transactions in his app. So, in line with what the terms and conditions of Mr B's account state about how he

can consent to making a payment, I consider that the online payments are authorised. As such, as a starting point, Mr B would be considered responsible for them.

The account terms don't set out in details how Mr B consents to making payments using his physical card. So, I've thought about the practical steps required to make payments using the physical card. It seems Mr B would need to present his physical card at a merchant's till or ATM and, when prompted, enter the PIN. Here, it's not disputed that it wasn't Mr B who used his physical card and PIN to make cash withdrawals and in-store transactions. It follows that I don't think Mr B completed the form and procedure needed to consent to these types of transactions. As such, I consider the payments made with the physical card are unauthorised.

That said, according to the PSRs, Mr B can still be held responsible for payments he hasn't authorised if he failed with intent or gross negligence to comply with the terms of the account or keep his personalised security details safe. The investigator concluded that by handing over his card, having already disclosed the associated PIN over the phone, Mr B acted with gross negligence.

I appreciate Mr B feels strongly that, in the circumstances of what happened here, his actions don't amount to a serious disregard for an obvious risk. This is an objective test, and I think most people are aware that sharing their card and its PIN with a third party enables that third party to make payments.

Even if I were to accept that Mr B's actions don't amount to failure with gross negligence to comply with his obligations as a payment service user to take all reasonable steps to keep his card and PIN safe, I still have to consider whether they amount to failure with intent, i.e., a deliberate act. I understand why Mr B thought he had to share his card and PIN. But the terms and conditions of his account state that he must not do so. By handing over his card and disclosing his PIN, both of which are his personalised security details, Mr B deliberately shared the information. In the circumstances, I consider it fair that Mr B can be held responsible for the payments made using his physical card despite these being unauthorised.

Is there any other reason it would be fair for Starling to reimburse Mr B?

Starling has a duty to act on authorised payment instructions without undue delay. However, there are circumstances when it might be appropriate for the bank to take additional steps before processing a payment. For instance, when there are grounds to suspect that the payment presents a fraud risk. That might occur when a payment is significantly unusual or uncharacteristic compared to the normal use of the account.

I've reviewed the account activity on Mr B's Starling account prior to the scam payments. Having done so, I don't consider the first four payments were that unusual such that I think Starling ought to have made enquiries before processing the payments. But by the time Payment 5 was authorised, given the increased activity on the account, I think the bank should have made enquiries before processing the payment.

Had it done so, on balance, I'm satisfied that from Mr B's response to its questions it would have been apparent to Starling that he was falling victim to a scam. And had the bank then provided a proportionate scam warning, I'm also satisfied that Mr B would have not gone ahead with approving any more payments. His card would have also been blocked and cancelled. So, losses stemming from Payment 5 onwards could have been prevented and so I find that Starling can be held responsible for Mr B's loss from that point onwards.

Contributory Negligence

There's a general principle that consumers must take responsibility for their decisions. And I've duly considered whether Mr B should bear some responsibility by way of contributory negligence. To be clear, this isn't the same as gross negligence which is a consideration for establishing liability for unauthorised transactions.

Mr B fell victim to a sophisticated scam. He was targeted by scammers who knew enough about him to tailor their approach accordingly and make the scam convincing. So, I can appreciate why at the start of the call Mr B thought he was speaking with Starling. However, I think he ought to have been concerned when, as he thought, a representative of Starling asked him to hand over details of his various cards and associated PIN. Especially, at the point the caller said they would arrange for a taxi to collect the physical cards. I consider there was enough going on by that time for Mr B to have realised that something wasn't right.

Taking the above into account, I think Mr B's actions contributed to his loss such that he should share responsibility with Starling from the point he handed over his cards having already disclosed the PIN. This is because I consider that any payments made from that point on could have been prevented. It's not entirely clear at what stage Mr B handed over his cards. But I can see that the first transaction using the physical card – Payment 8 – happened two hours after the previous, online, payment. As Starling hasn't argued that the deduction should be made from an earlier payment, in the circumstances I consider that a 50% deduction is fair and reasonable from Payment 8 onwards.

I can see that Mr B has mentioned his credit card providers have refunded him in full. And so, he feels that that sets a precedent for Starling. Without knowing the finer details of the investigations carried out by those credit card providers, it's difficult to say why they've provided a full refund. It could be a commercial decision. Or it could be that the credit card providers have considered all the transactions as unauthorised. There are different considerations for unauthorised transactions on credit cards, where gross negligence and intent aren't applicable. Either way, I wouldn't wish to speculate on why other businesses have provided a full refund. Instead, like the investigator, I've considered the complaint before me and explained why I consider it fair for a deduction to be made.

Recovery

For completeness, I've also considered Starling's actions in attempting to recover the funds once Mr B reported the scam to it. It reached out to the merchants that the online payments went to but received no response. In relation to the payments made using the physical card, once the cash was withdrawn from an ATM there was no way for the bank to recover the money. As for the payments made to retailers, it's a common feature of the scam Mr B has described that goods or services are provided in return for the payments made but for the scammer's benefit. In the circumstances, I don't think Starling could or should have done more to attempt recovery.

Putting things right

As I've mentioned, the investigator's recommendation didn't include Payments 30-31. But as I'm satisfied that these were made as part of the scam, these should also be included in the loss Mr B has suffered, and the additional refund Starling needs to make (subject to a 50% deduction for reasons already given).

Based on my findings, Starling is liable for 100% of Payments 5-7 (i.e., £3,555.50) and 50% of Payments 8-31 (£15,396.00). That makes it a total of £18,751.50.

Starling has already refunded £16,728.75. So, it needs to refund a further amount of £2,022.75 to Mr B. This is an additional £150 to the amount the investigator recommended as it also includes 50% of Payments 30-31.

The bank also needs to add simple interest at 8% per year (less any tax lawfully deductible), calculated from when the scam payments happened to the date of settlement. This is to account for the loss of use of the funds.

My final decision

For the reasons given, my final decision is that I uphold this complaint. I require Starling Bank Limited to put things right for Mr B by refunding an additional amount of £2,022.75 along with simple interest at 8% per year (less any tax lawfully deductible).

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 29 August 2025.

Gagandeep Singh
Ombudsman