

The complaint

R complains that Starling Bank Limited won't refund money it lost when it was the victim of a scam.

The complaint has been brought by Mr P, sole director of R. I'll mainly refer to Mr P throughout my decision.

What happened

In August 2024, Mr P received a phone call from someone saying they worked for Starling, and they had noticed unusual activity on R's Starling account. The caller told Mr P someone was trying to make purchases using R's debit card and to stop the activity, he would need to authorise a payment which would then be refunded back to R within a few minutes.

Mr P made a payment of £1,884.99 out of R's Starling account.

Unfortunately, we now know the caller was a scammer. Mr P realised he had been the victim of a scam when the call was ended as soon as he authorised the transaction. He then contacted Starling to report the payment he had made and asked them to try and cancel it.

Starling investigated but said it felt it had met its requirements and as the payment had been authorised using device biometrics within the Starling app, it didn't agree to refund the money R had lost.

Mr P wasn't satisfied with Starling's response, so he referred the complaint to our service. Our Investigator didn't think Starling had to do anything further. She said based on what Starling knew about the payment at the time, and R's prior account usage, the payment did not stand out as particularly unusual or suspicious. The Investigator also explained recovery of the funds via the chargeback process was unlikely to be successful as the chargeback rules don't cover scams.

Mr P disagreed and asked for the complaint to be reviewed by an Ombudsman. In short, he said a refund should be provided under the Authorised Push Payment (APP) fraud reimbursement scheme.

This was considered by another Investigator. They explained that the APP fraud reimbursement scheme did not come into effect until 7 October 2024, and it was not applied retrospectively. Nor did it apply to debit card payments. So, the payment wasn't covered by the scheme.

As no agreement could be reached, the complaint was 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'm sorry Mr P, as the sole director of R, has been the victim of a scam and I don't

underestimate the impact this has had on him. But while I'm sympathetic to his circumstances, I must consider whether Starling is responsible for the loss R has suffered. I know this won't be the outcome Mr P is hoping for but, for similar reasons as our Investigator, I don't think Starling is responsible. I'll explain why.

In broad terms, the starting position is that a firm is expected to process payments and withdrawals that its customer authorises, in accordance with the Payment Services Regulations 2017 and the terms and conditions of the customer's account. And in this case, it's not in question whether Mr P authorised the payment from leaving R's account. That means R is presumed liable for the loss in the first instance.

However, there are circumstances when it might be appropriate for Starling to take additional steps before processing a payment. Such as when there are grounds to suspect the payment presents a fraud risk. That might occur when a payment is significantly unusual or uncharacteristic to the normal use of R's account.

I think it's also important to highlight that there are many payments made by customers each day, and it's not reasonable to expect a financial firm to stop and check every payment instruction to try to prevent fraud or financial harm. There's a balance to be struck between the extent it intervenes in payments to protect customers, and not unnecessarily disrupting legitimate payment instructions.

Having considered the matter carefully, I don't think the payment was so significant that it stood out as particularly suspicious. It also didn't drain R's account balance entirely. As such I'm not persuaded the value of the transaction, or the destination of the payment was so unusual or suspicious for Starling to have suspected R was at risk of financial harm – thereby prompting it to intervene before processing it.

This means that, without any interaction between Mr P and Starling before the payment was made, I don't think Starling would have had enough reason to suspect R was at risk of financial harm from fraud. The transaction was simply not unusual or suspicious enough whereby I would've expected Starling to question it. So, I don't think I can fairly conclude Starling was at fault for processing the payment in line with Mr P's instructions, albeit under the guidance of the scammer.

Mr P also mentioned he should get a refund under the APP reimbursement scheme. However, as our Investigator has correctly explained, this came into effect on 7 October 2024 and isn't applied retrospectively, it therefore isn't applicable in this case.

Recovery of the funds

As the payment was made by debit card, the chargeback process is relevant here. In simple terms a chargeback is a mechanism for a consumer, via their card provider, to reclaim money from a retailer's bank when something has gone wrong, provided the transaction meets the eligibility criteria. It's for the card provider to decide whether to raise a chargeback, and we'd only expect it to do so if it has a reasonable prospect of success.

In order for Starling to raise a successful chargeback it would need to provide evidence that the merchant didn't provide the goods or services paid for, or that the merchant had done something else wrong from a defined list of criteria. Although I understand Mr P used his debit card to pay a merchant he didn't expect to pay, there's no evidence the merchant didn't fulfil its obligation to provide the service that Mr P paid for. So, the dispute doesn't lie between Mr P and the merchant, but instead Mr P and the scammer. With this in mind there wasn't a reasonable prospect of a chargeback claim being successful, so I don't think that was a route that Starling ought to have pursued.

I have a great deal of sympathy for Mr P as I appreciate he is the innocent victim of a scam and has incurred a significant loss because of what happened. But it would only be fair for me to direct Starling to refund R's loss if I thought it was responsible – and I'm not persuaded that this was the case. For the above reasons, I think Starling has acted fairly and so I'm not going to tell them to do anything further.

My final decision

My final decision is I don't uphold R's complaint about Starling Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 26 June 2025.

Israr Ahmed
Ombudsman