

The complaint

Miss O complains Starling Bank Limited (“Starling”) closed her accounts and applied an adverse fraud marker against her.

Miss O says the marker has prevented her from accessing vital financial products. To put things right, Starling should remove it.

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 April 2024, after receiving a fraud report, Starling blocked Miss O’s accounts and asked her for information relating to her proof of entitlement to payments she had received into the account and which were quickly dispersed. Miss O provided Starling with an explanation and any information she could to support what she had said. Broadly, Miss O said she was helping a friend who wanted to use her account to help their friend, and for doing so, she had agreed to keep a small part of the funds.

Starling decided to close Miss O’s accounts with immediate effect and applied a CIFAS (Credit Industry Fraud Avoidance System) ‘misuse of facility’ marker against her. Unhappy, Miss O complained.

Starling didn’t uphold her complaint. In short, Starling said the marker had been applied in line with CIFAS’ principles – and Starling had considered what she had said about being an unwitting victim whilst helping a friend. Starling added it couldn’t go into more detail about why it loaded the marker, but it had been done so fairly.

Miss O referred her complaint to this service. One of our Investigator’s looked into it, and after carrying out further investigation, they recommended the complaint wasn’t upheld. In summary, the key points they made were:

- Starling has shown the funds Miss O received were fraudulent. Miss O ought to have been aware something wasn’t right about the funds she was asked to receive.
- Miss O didn’t question why she needed to transfer the funds to help a friend’s friend. Nor did she question that her friend had said he couldn’t use his account due to being overdrawn despite being able to provide other account details to quickly receive the funds from Miss O.
- When Starling asked Miss O for an explanation for the payments into her account, she gave conflicting information about her knowledge of the sender and the reason the funds were being sent by her friend. Miss O initially said the sender was her friend and she was paying them back money. But later said she didn’t know who the sender was.
- Starling has acted reasonably in closing Miss O’s accounts and hasn’t done anything wrong in applying the marker.

Miss O didn't agree with what our Investigator said. In short, she made the following points:

- She was a victim herself and will send proof to show she was helping a trusted friend. They had lived in the same house for months previously and Miss O has previously always managed her financial affairs well.
- Her evidence clearly shows the sender of the funds was doing so on behalf of the receiver for a gift, and she trusted what they said, though she should have asked more questions. Miss O's friend gave her part of the money he owed her.
- Miss O asked her friend not to send any more money after the first transaction as she had got suspicious. But they sent it as they knew her account details. Miss O didn't know how to report the transactions as she'd only been in the UK for less than a year at that time. Miss O only received £70 in total for helping her friend.
- Miss O had no knowledge about the fraud that was being carried out.

As there was no agreement, this complaint has been passed to me to decide.

What I've decided – and why

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Miss O and Starling have said before reaching my decision.

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 O 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 O'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 O's account. I note Miss O does not contest this point.

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.

Miss O says she wasn't aware nor complicit of what was going on as she was merely facilitating the payments to help a trusted friend. This means Miss O is saying she was unwitting and therefore being used as an instrument to facilitate fraud without any knowledge on her part.

This is a finely balanced point in this complaint, and one that I can see Starling weighed up before deciding not to uphold this complaint. I say that because Miss O strongly argues that she was unwitting, but the evidence available, including the phone calls she has provided don't show conclusively that she didn't know what was happening.

In reaching my decision, I've reviewed CIFAS' standards for applying such a marker and considered its guidance on when someone says they were unwitting and being used effectively as a 'money mule'.

Having given this considerable thought, I'm persuaded that its most likely Miss O knew, or ought reasonably to have known, she was carrying out fraudulent transactions. I say that because she doesn't appear to have asked any questions about why such a suspicious arrangement was being deployed in using her account and the funds were quickly being dispersed by her 'friend'. It's clear that she knew this given she wanted to stop the transaction after the first one was received but says she didn't know how to report this. But if that was the case, I question why she continued to keep some of the funds for herself in the way she did. Miss O benefiting from the funds in this way gives me added cause for suspicion and concern that she was witting – surely, if she was otherwise acting to help a trusted friend she wouldn't want such payment either.

I also note that when first responding to Starling's information request on the nature and source of the payments she said *"The payer is my friend. And I was paying back his money.....We are all friends. Can't I send friend's money?"*.

This is in stark contrast to later saying she didn't know the sender of the funds as they were a friend to her friend – who she didn't know directly. Given Miss O says she was suspicious after the first of the transactions and didn't know how to report it to Starling or another organisation, I further question why she didn't use the first opportunity she was asked about the payments to explain her concerns.

So, after carefully weighing everything up, I'm satisfied for the reasons above that Starling has acted fairly and in line with the standards of information required to apply the CIFAS marker. That means I won't be directing Starling to remove it.

Account restrictions and closure

Banks in the UK, like Starling, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means Starling needs to restrict, or in some cases go as far as closing, customers' accounts.

Starling has explained and provided evidence as to why it restricted Miss O's accounts whilst it carried out a review. The premise of this is well known to both parties and I'm satisfied Starling acted in line with its obligations when doing so.

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 O 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 O's accounts with immediate effect after completing its review. Having reviewed its reasons and supporting evidence, I'm satisfied Starling did so in line with the terms and conditions of the accounts.

As I don't think Starling has done anything wrong, I see no basis in which to make an award of compensation for any distress and inconvenience Miss O may have 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 O to accept or reject my decision before 2 July 2025.

Ketan Nagla
Ombudsman