

The complaint

A company, which I'll refer to as T, complains that Starling Bank Limited should pay more compensation than offered so far in respect of delay processing an international payment.

T's director, Mr A, brings the complaint on T's behalf.

What happened

On 5 July 2024, T received a five-figure international payment into its business account with Starling Bank. The payment was held pending review by Starling Bank and released to T on 17 July 2024.

When T complained it had incurred costs as a result of this delay, Starling Bank said it was entitled to hold payments and request further information in line with its business terms. But Starling Bank agreed that when T provided the information it had requested to enable it to complete necessary checks on 15 July, it should've explained the process that would follow and so better managed T's expectations. Starling Bank arranged a payment of £100 into T's account to reflect the inconvenience resulting from this service failing.

Unhappy with this response, T came to us and one of our investigators looked into this complaint. She thought it was reasonable that Starling Bank had not released the payment to T until it had completed further checks, and this was in line with its terms and conditions. But she recommended Starling Bank should pay T an additional £100 compensation in respect of inconvenience caused by the fact that Starling Bank had delayed asking T to provide further information in order to carry out its checks – bringing the total redress amount to £200.

Starling Bank accepted this recommendation. On behalf of T however, Mr A didn't agree with the investigator's proposed settlement. Mr A has asked for an ombudsman to review the complaint, so it has come 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've carried out an independent review and having done so, I've reached the same conclusion as our investigator.

The crux of this complaint, as I understand it, is that T feels that Starling Bank shouldn't have delayed release of international funds received when these had already been vetted and cleared by regulated banks overseas and in the UK and satisfactory anti-money laundering checks had been completed by solicitors. T said its client needed the money to meet an urgent payment deadline so he'd needed to arrange borrowing instead at a commercial rate, incurring interest and charges of £2,500, which he intended to pass on to T. And T lost out on its own fees, charges and commission for the transaction which would've been £1,500. T holds Starling Bank responsible for losses it said were foreseeable.

In order to uphold T's complaint and award more redress, I would have to find that Starling Bank made an error or acted in a way that wasn't fair and reasonable and this led to T incurring financial loss or some other detriment which Starling Bank needs to do more to put right. So I've looked at what happened with this in mind.

Starling Bank received the funds on 5 July 2024 and was holding the funds frozen in order to carry out necessary checks which meant T didn't have access to the funds. But Starling Bank didn't contact T to request information it needed to complete its checks until some five days later on 10 July.

In line with the account terms and conditions, which T would've signed up to in order to be able to use the account, Starling Bank was entitled not to release the funds received until it had satisfactorily completed all necessary checks it was required to carry out. Despite what Mr A has said about the funds having been verified elsewhere whilst in transit, Starling Bank had to have procedures in place which it must follow to comply with its legal and regulatory obligations. So, I don't think it did anything wrong when it didn't allow T to access the money on receipt.

Nonetheless, even though Starling Bank acted in line with its terms and conditions, I'd still expect it to treat T fairly and reasonably. Starling Bank hasn't adequately explained why it took it five days to contact T to request information and supporting evidence it needed to see to verify the transaction. So I think this added unnecessarily to the time taken for Starling Bank to be able to complete its checks.

But I've also taken into account that T didn't answer this information request and provide the necessary information T needed to be able to proceed with its review until 15 July 2024. This suggests to me that Starling Bank's delay isn't the sole or even the main reason that T's client needed to look elsewhere for funding so it wouldn't be fair to hold Starling Bank responsible for the resulting costs arising. I've noted that once T provided the necessary information, Starling Bank completed its checks within the next two days, enabling the payment to be released on 17 July 2024. I think it's likely that had T answered Starling Bank's information request more promptly, funds could've been released sooner – possibly by 12 July if the same timescale had been applied, so mitigating the need for T's client to have to borrow elsewhere.

Starling Bank agreed it didn't deal as well with Mr A as he was reasonably entitled to expect on 15 July. It should have explained that the information he'd now provided meant it could start its checking process - which Starling Bank said could potentially take up to seven days. I think that's a reasonable timescale, depending on the information provided and what checks might reveal. And here, funds were released within two days – so I don't think that was unreasonable. But I agree with our investigator that it's fair to expect Starling Bank to redress this poor service aspect by way of a compensation award.

The £200 overall figure suggested by the investigator matches the level of award I would make in these circumstances had it not already been proposed. I am satisfied that the £100 Starling Bank has paid already is insufficient in these circumstances. Starling Bank accepts that it should pay additional redress to fairly reflect the shortcomings there have been in the service provided to T, as recommended by our investigator. Taking everything into account, I consider £200 is in line with the amount this service would award in similar cases, and fair compensation for T in these particular circumstances.

I have set out below the steps Starling Bank is required to take.

Putting things right

Starling Bank should pay T £200 compensation in total to reflect the extent and impact on T of its poor service.

Starling Bank can set off against my award any redress payment it has already made to T in connection with this complaint – so in effect, it is required to pay T the further sum of £100 (if it hasn't yet done so and it has previously paid the £100 it offered T before Mr A brought this complaint to us).

My final decision

I uphold this complaint and Starling Bank Limited should take the steps set out above to put things right (as it has offered to do).

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 14 July 2025.

Susan Webb
Ombudsman