

The complaint

K, a limited company, is unhappy that Starling Bank Limited (“Starling”), as the receiving bank, didn’t do enough to prevent the loss it suffered when it sent money to its customer’s account as the result of an alleged scam.

The complaint is brought by K’s two directors who are being represented by a third party.

What happened

I’m not going to cover all the points raised in detail. The view of 23 May 2025 covered the details of K’s testimony. But briefly, in 2020, K came across an opportunity to invest in a scheme with a company I will refer to as L, run by an individual I will refer to as H. The investment in L was by way of a loan agreement for £100,000 that was due to be repaid on 8 June 2022. The loan agreement was to fund the purchase of a specific property.

K says H did not purchase the property and it’s not received most of its funds back.

K says Starling:

- Failed to properly verify its customer when allowing them to open the bank account.
- Failed to prevent huge sums of money being sent/leaving the account.
- Failed to act quickly and take appropriate action when notified of the scam.

Starling said it needed more information regarding the legal agreement K had entered into with L before it could fully respond. K and its representatives came directly to this service.

Our investigator did not uphold the complaint. He said the payments didn’t fall under the scope of the Contingent Reimbursement Model (CRM) Code as they didn’t meet the definition of an authorised push payment (APP) scam. He also didn’t think the bank did anything wrong on opening or monitoring the account.

K and its representatives said this was a scam and Starling failed during the account set up and monitoring of the account.

As the complaint could not be resolved informally, it has been passed to me for a 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.

Having done so, I don’t think it would be fair to require Starling to refund the money K has lost here. I’ll explain why below.

K and its representatives' submissions focus on why they believe H was operating fraudulently, and why they think K has been the victim of a scam. And it says that Starling failed during the account opening process and failed in the monitoring of the account.

At the time K made the payments Starling was signed up to the Lending Standards Board's voluntary CRM Code. The CRM Code sets out what is expected of the 'Sending Firm' and 'Receiving Firm' (in this case Starling) when payments are made or received. Where there is a failing by either the Sending Firm or Receiving Firm, they may be required to reimburse the customer, and the customer may also be required to share some responsibility for the loss if it is determined that they also failed to meet their level of care under the CRM Code.

But the CRM Code is quite explicit that it doesn't apply to all push payments. It says:

DS2(2) This code does not apply to: (b) private civil disputes, such as where a Customer has paid a legitimate supplier for goods, services, or digital content but has not received them, they are defective in some way, or the Customer is otherwise dissatisfied with the supplier"

So, it wouldn't apply to a genuine investment that subsequently failed.

I have provided K with an in-depth assessment (in its complaint against the Sending Bank) setting out why I find it more likely than not that this matter falls under the definition of a private civil dispute and therefore the payments are not within the scope of the CRM Code. So, I don't intend to repeat it in detail here. But briefly whilst other matters may show H is of poor character, H did ultimately engage and conduct business in the property market and held a number of related businesses. I have seen third party evidence (which I am unable to share for data protection reasons) that does suggest there was a clear intent to purchase the land/property in question. It's not clear why that didn't happen. It is very difficult for me to establish that H was willingly and intentionally acting fraudulently by deliberately setting out to scam K at the time the payments were made, and I can't exclude the possibility that L failed for reasons not relating to fraud.

Starling has shared information with this service in order to allow us to investigate K's complaint. But I am limited in what I can share with K. However, I can assure K's directors that I have carefully reviewed all the information provided before issuing this decision.

In the circumstances of this complaint, I'm satisfied that Starling carried out checks to verify the identity of the named account holder and did its due diligence when opening the beneficiary account. There wasn't anything at this time that I think reasonably could've alerted Starling that the account it was opening might be used fraudulently. So I'm satisfied Starling took reasonable steps to prevent the account being opened for criminal purposes and it didn't miss an opportunity to prevent K's loss when opening the account.

I've also thought about whether Starling ought reasonably to have had concerns about the way the beneficiary account was running. Starling has said that the account was operating normally and that it had received no notifications of fraud before K's report.

I have carefully reviewed the account activity against what Starling knew about its customer and the given purpose of the account. But I don't think Starling should have viewed the activity as suspicious or significantly outside of what might be expected for an account of that type at the time K made these payments. There were no other red flags where it could reasonably be argued that Starling might have had sufficient grounds to suspect fraud and refuse execution of their customer's payment instructions. I've not seen anything that makes me think Starling ought to have been concerned about the possibility of fraud before K made its report.

Again, even if I concluded Starling had failed in its monitoring of the account after the arrival of K's funds or I conclude that it ought to have closed the recipient account at a point before K's funds were paid away (which to be clear is not what I'm saying here), in the specific circumstances of this case, I can't fairly conclude that this would've resulted in a prevention of K's loss either. I say this because I don't think at that point Starling could have reasonably concluded whether K's payments were fraudulently obtained or decided whether H was operating a scam. I have explained above why I think it's more likely this was a civil dispute, so I don't think any concerns would have prevented the payments from ultimately being processed.

From what I can see K and its representatives first contacted Starling on 31 May 2024 to inform it that they'd made payments to one of its customer's accounts as a result of an alleged scam. Starling took action and contacted its customer straightaway. In any event, by this point the funds had long since been removed four years earlier. And as such that means, even if Starling had determined K had been the victim of a scam, it wouldn't have been able to return its money. It simply wasn't there to be passed back to K.

So, I'm satisfied that there wasn't much more that Starling could reasonably have done to assist in the recovery of K's funds from the accounts.

Starling did otherwise respond to and investigate K's scam claim and subsequent complaint in the manner I'd expect.

I am sorry to have to deliver this news to K and its representatives. I know this wasn't the answer they were hoping for. It is clear that this situation and its aftermath has been and continues to be very difficult for them. But my role as a Financial Ombudsman is limited to determining whether Starling bears any responsibility for K's financial loss. I haven't seen convincing evidence that it has. It follows I can't say the bank ought reasonably to be held liable for K's losses.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask K to accept or reject my decision before 6 November 2025.

Kathryn Milne
Ombudsman