

The complaint

Mr I complains that Starling Bank Limited (Starling) was irresponsible in granting him a personal current account overdraft, as it was unaffordable for him. Mr I also complains Starling failed to intervene to prevent his heavy usage of the personal current account overdraft.

What happened

Mr I opened a personal current account with Starling in November 2018. A few days after opening the account, Mr I applied for an overdraft facility. Starling granted a personal current account overdraft with a credit limit of £500.

In 2024, Mr I complained that Starling had been irresponsible in granting the overdraft facility. He said he'd been experiencing issues with problem gambling and also thought that Starling should have intervened due to his heavy usage of the overdraft.

In its final response, Starling said it thought it had acted fairly and reasonably. Mr I wasn't happy with Starling's final response, and referred the complaint to our service.

One of our Investigators considered Mr I's complaint. When our Investigator spoke with Mr I, he clarified that he thought the initial granting of the personal current account overdraft was reasonable, as he didn't think Starling could have known about his gambling, but was unhappy that Starling hadn't stepped in to prevent his heavy usage of the overdraft facility.

Our Investigator upheld Mr I's complaint. In summary, she said that Starling should have stepped in to support Mr I by November 2019. She said that Mr I had remained in his overdraft, and generally significantly overdrawn, for that entire period.

Starling disagreed with the Investigator's opinion. In summary, it said that it thought Mr I had sufficient incoming funds that he could have repaid the overdraft if he wished.

As the case couldn't be resolved, it comes 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 considered the relevant rules and guidance on responsible lending set by the FCA, laid out in the consumer credit handbook (CONC). In summary, these say that before Starling granted the overdraft, it needed to complete reasonable and proportionate checks to satisfy itself that Mr I would be able to repay the debt in a sustainable way, without borrowing

further elsewhere. As this was an open-ended account Starling needed to consider whether Mr I would be able to repay the debt within a reasonable period. It also had a duty to review the account regularly to ensure the overdraft continued to be affordable for Mr I.

As Mr I has told us he's satisfied that Starling acted reasonably in granting the overdraft, I haven't considered its decision to do so in detail. Instead I've focused on Mr I's ongoing use of the overdraft facility.

As I've explained above, Starling had a duty to regularly review the overdraft facility, to ensure it continued to lend responsibly to Mr I.

Mr I has told us he was experiencing issues with problem gambling. He's explained that he would transfer funds from his account with Starling to an e-money account, and then use the funds in the e-money account to gamble. So, I don't think Starling could reasonably have known that Mr I was struggling with problem gambling.

That said, the account statements show that Mr I was using the overdraft frequently, and generally using it heavily. They also show that Mr I wasn't receiving his income into the account. Instead, he was transferring funds in from another account in his name. But, after transferring in funds to clear the overdraft balance, he would generally return to being overdrawn and close to the limit within a day or two. By November 2019, he'd been using the overdraft facility almost continuously for over 12 months.

Mr I's statements also show he was taking out high cost short term loans from several lenders on a regular basis. So I think he was showing signs of financial difficulty.

Some of Mr I's spending was on essential items. However, not all of it was. So, arguably Mr I could have chosen to try to gradually reduce his overdraft debt by reducing his discretionary spending.

That said, overdrafts are generally intended for short-term, emergency borrowing. This is something Starling notes in its general account terms and conditions. Starling had a duty to review Mr I's personal current account overdraft periodically to ensure it was still appropriate for him.

Starling sent Mr I messages about persistent usage periodically from at least 2024 onwards, and attempted to contact him by phone, along with sending him statements and annual charges summaries, copies of which it has provided to us. These messages flagged to Mr I that he was using the overdraft a lot; that it was an expensive way to borrow, and said that he could contact Starling if he was experiencing financial difficulties.

I don't think Starling did enough here. I think it should have stepped in to gradually reduce Mr I's overdraft limit from November 2019 onwards, given the signs of financial difficulty displayed. I think there was scope for that – without putting him into financial hardship – taking into account some of his discretionary spending. And I think that would have been proportionate to the signs of financial difficulty I've mentioned.

In saying that, I acknowledge that Mr I appears to have not responded to several messages from Starling about his overdraft. However, had Starling let him know it was going to take action in reducing his limit, I think it likely he would have responded at that point, and been forced to address the situation.

Putting things right

My final decision is that I uphold this complaint. To resolve things, Starling Bank Limited should:

- Re-work Mr I's current overdraft balance so that all interest, fees and charges on debit balances from November 2019 onwards are removed;

AND

- If an outstanding balance remains on the overdraft once these adjustments have been made, Starling Bank Limited should contact Mr I to arrange a suitable repayment plan. Mr I is encouraged to get in contact with and co-operate with Starling Bank Limited to reach a suitable agreement for this. If it considers it appropriate to record negative information on Mr I's credit file, it should reflect what would have been recorded if Starling Bank Limited had begun to reduce Mr I's overdraft limit from November 2019. Starling Bank Limited can also reduce Mr I's overdraft limit by the amount of refund if it considers it appropriate to do so, as long as doing so wouldn't leave him over his limit.

OR

- If the effect of removing all interest, fees and charges results in there no longer being an outstanding balance, then any extra should be treated as overpayments and returned to Mr I along with 8% simple interest a year* on those overpayments from the date they were made (if they were) until the date of the settlement. If no outstanding balance remains after all adjustments have been made, then Starling Bank Limited should remove any adverse information from Mr I's credit file. Starling Bank Limited can also reduce Mr I's overdraft limit by the amount of the refund if it considers it appropriate to do so.

I've also considered whether Starling Bank Limited's actions have meant there's an unfair relationship between it and Mr I. However, I'm satisfied the redress I've directed above results in fair compensation for Mr I in the circumstances of his complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

My final decision

My final decision is that I uphold this complaint. To resolve things, Starling Bank Limited should take the steps listed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 25 August 2025.

**HMRC requires Starling Bank Limited to take off tax from this interest. If Mr I asks for a certificate showing how much tax has been taken off this should be provided.*

Frances Young
Ombudsman