

The complaint

Mr S complains Starling Bank Limited unfairly closed his account and sent money that was paid into his account back to source. Mr S also complains that Starling didn't make it clear to him he couldn't use his account for anything related to cryptocurrency trading.

What happened

The detailed background to this complaint is well known to both parties. As such, I'll provide only an overview of the most essential facts here.

Mr S has explained that he had a Starling account for a number of years but never used it. Mr S says he used the account as a 'safe account' and he had other accounts he used for his daily living expenses.

Mr S has told us that in 2021 he had some spare money and decided to invest in cryptocurrency. Mr S says he invested around £1,000 using an online trading platform that I will refer to as B. Mr S says he knew very little about cryptocurrency trading and initially his investment went down. But recently it went back up, although still at a loss he decided he needed his money back and arranged via B to sell his cryptocurrency and try and get his money back.

On 14 January 2025, Mr S received payment of £850 into his Starling account from an individual I will refer to as K. Mr S says this was payment for selling his cryptocurrency via B. And he'd used his Starling account to receive the proceeds of the sale as he was worried about giving his normal bank details to the buyer.

When the money arrived Mr S transferred £120 to his usual bank account, and he spent around £20 at his local shop. Following this, Starling received a fraud report and indemnity from another bank. The other bank said that their customer, K, had been the victim of a scam and asked Starling to recover the £850, Mr S had received from K from Mr S's account so that they could return it to the victim of the scam.

In response, Starling contacted Mr S and asked him to provide proof of his entitlement to the money he'd received from K. Mr S sent Starling screenshots of his account with B showing his cryptocurrency trade which led to the funds being paid into his account, and his initial investment back in 2021.

Starling said it needed to investigate what had happened and time to review the paperwork Mr S had provided about his entitlement to the money that had been paid into his account. Whilst it carried out its review, Starling blocked Mr S's account. Following this Starling closed Mr S's account immediately and said it wasn't willing to refund Mr S the money he'd received to B. Starling recovered just over £700 of the funds and sent it back to source.

Mr S raised a complaint. He said he wanted Starling to refund him the money that he'd lost, and pay him compensation for the trouble and upset the matter had caused him.

In response, Starling said that it hadn't done anything wrong and said it had been complying with its legal and regulatory obligations when it had asked him for information about the activity on his account. And sent the money back to the sender. It also said it had closed Mr S's account in line with the terms and conditions. So it didn't uphold Mr S's complaint.

Unhappy with this response Mr S brought his complaint to our service. He said Starling should have done more to help him. He says he is now out of pocket and wants Starling to refund him the money he says he lost after trading cryptocurrency.

One of our investigators looked into Mr S's complaint and asked him for some more information – including where he got the money that funded the transaction he made with B. The investigator also asked Starling to provide us with more information about what had happened, which included the outcome of its review and contact with K's bank.

After looking at all the information the investigator said that Starling hadn't done anything wrong when it had closed Mr S's account. He didn't recommend Starling should refund Mr S any money. Overall, he thought that Starling's actions were in line with its legal and regulatory obligations. So, he didn't uphold Mr S's complaint.

Mr S disagreed. He wants Starling to refund him the money he says he lost to K and said there was no fraud involved. Mr S also said that he hadn't used his account to trade in cryptocurrency either so Starling were wrong to close his account.

As no agreement could be reached the matter 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 would add too that our rules allow us to receive evidence in confidence. We may treat evidence from financial businesses as confidential for a number of reasons – for example, if it contains information about other customers, security information or commercially sensitive information. It's then for me to decide whether it's fair to rely on evidence that only one party has seen. It's not a one-sided rule; either party to a complaint can submit evidence in confidence if they wish to, and we'll then decide if it's fair to rely on it. Here, the information is sensitive and on balance I don't believe it should be disclosed. But it's also clearly material to the issue of whether Starling has treated Mr S fairly. So, I'm persuaded I should take it into account when deciding the outcome of the complaint.

I appreciate Mr S is frustrated that he can't use his account in the way he wants, and he doesn't think receiving proceeds of trading in cryptocurrency poses any more of a risk than some other activities, which Starling still permits payments to be made towards. He has also argued that Starling didn't make him aware he couldn't receive such payments. And that he wasn't using his actual account to trade.

But the industry regulator – the Financial Conduct Authority – explains on its InvestSmart webpages that cryptocurrency is largely unregulated in the UK, it's considered a high risk, speculative investment and scammers have been increasingly active in targeting potential investors. Starling has explained it's for reasons akin to those the FCA describes that it no longer supports the buying and selling of cryptocurrency.

I'm satisfied the terms and conditions of the account permit Starling to apply payment limits and restrictions in the way it has done here. And I'm also aware that other high street banks have made similar decisions not to allow payments to cryptocurrency. This restriction is also

now set out on Starling's website. I can't be sure when this was first published, so I can understand this likely came as a surprise to Mr S. But he appears to have contacted Starling soon after the payment was returned, and the bank explained then why this had happened.

Banks have a responsibility to protect their customers from harm, including fraud. That includes protecting customers from what's known as multi-stage fraud – where money is transferred from one bank to another and ultimately lost to a fraud, almost invariably involving cryptocurrency – which has grown very significantly in recent years. This was no doubt a factor in Starling Bank's decision to no longer support the buying and selling of cryptocurrency.

In this case, I can see that Mr S received £850 into his account which by his own admission he didn't use. So, the activity was out of character and prompted Starling to review Mr S's account. Starling then received a fraud report from another bank relating to the payment.

Mr S says he received the payment for a legitimate crypto sale which he made using B. He said Starling had purely relied on the fraud report it had received, not investigated things properly and been overzealous in taking the steps it had. He added that any fraud had been committed by the person sending the funds, and not him in receiving them. He explained that the whole situation had taken its toll both emotionally and financially.

Whilst I appreciate Mr S's position the customer's whose account was debited reported that they had been the victim of scam - that they were tricked into allowing someone else access to their account. And as a result, money had been sent to Mr S who then transferred some of the funds to himself at an account he held elsewhere and spent a small amount – so he appears to have benefitted from fraudulent funds.

I've thought about what Mr S has said about why he was expecting to receive the payment. And I've looked at all the evidence he's provided, which includes the screenshots he's sent. However, based on the evidence and information before me, including the records Mr S sent, I'm satisfied Starling acted reasonably by returning the payment to the sending bank. I say this because:

- Starling received a report that the payer had fallen victim to an account takeover scam, and Mr S's account had been used to receive the payment.
- The trading platform records Mr S provided show the real name of the buyer of the cryptocurrency in Arabic, but their name is very different to the name Mr S received the money from.
- Mr S needed to check the payments before releasing his cryptocurrency to the buyer, but he doesn't look to have questioned why the payment was made by someone else, which is something I would reasonably expect him to have done.
- Neither does Mr S look to have questioned why the payer of the £850 payment used a payment reference 'brother'. This ought to have raised significant concern with him - the reference was clearly unrelated to the sale of cryptocurrency, which casts more concern about the nature of Mr S's cryptocurrency activity.

I appreciate Mr S says he acted in good faith, and I previously acknowledged this could well be the case. But I have found Starling bank had sufficient concern based on the persuasive nature of the report they received, the payer mismatches and a contradictory payment reference to refund the payment. So, I won't be asking Starling to refund Mr S.

I next turn to the closure of Mr S's account. As a bank, Starling has a broad commercial discretion to decide who they want as a customer, and there is no legal obligation for them to keep a customer. But they should still ensure they follow their terms and conditions when

closing an account, and that their decision is lawful and not plainly irrational or due to an error. Mr S said Starling told him it had closed his account because it no longer supports the buying and selling of cryptocurrency. Mr S says he wasn't using his account to trade. I accept Starling set this out in its response to Mr S's complaint. But they also made clear to him that his account was closing because they deemed his account to pose a high risk.

Starling had received a report of fraud. Although Mr S thinks Starling should have changed their decision, their decision remained the same. Given the fraud report, and that Mr S had received proceeds of selling cryptocurrency resulting from a scam, into his account, which was understandably very concerning, they decided continuing to service Mr S with an account was outside their risk appetite. I find their decision represented a genuine exercise of their commercial discretion, so they were able to close his account. And did so in line with the terms and conditions of the account.

Mr S said he wasn't given updates when he expected. I acknowledge it's possible Starling could have better informed Mr S that their decision remained unchanged after he submitted his evidence of selling cryptocurrency. But I have reviewed a call he made on 25 May 2024, and it was clear he was told his account was still closing, so at least from this point onwards he knew what was going to happen. He was also told when and how he could reclaim funds in the account after the closure.

On balance I haven't seen sufficient evidence of a significant failing by Starling that I find would warrant compensation in these circumstances. Starling decision to return the payments reported as fraud Mr S feels strongly that Starling shouldn't have returned the payments reported as fraud. And I want him to know I understand he may have genuinely sold cryptocurrency to a third party and not been involved in anything untoward. But while many people use cryptocurrency genuinely, it is also a common medium for conducting illegitimate activity, including scams, where proceeds are converted into cryptocurrency or vice versa.

I've considered the additional points Mr S has made, but they have not changed my mind. I understand using a peer-to-peer platform meant he had no control over who made payment to his account. But I don't find this meant he shouldn't have queried why different persons made the payment other than the confirmed name of the person he was dealing with on the platform or why one of the payment references referred to 'brother'.

In summary, I still find Mr S ought to have held sufficient concern about the payments and should have questioned it before releasing the cryptocurrency. Again, this doesn't mean Starling had to firmly conclude Mr S was necessarily a party to fraud, but I find the evidence caused them sufficient concern and doubt to warrant the actions they took. So, I don't require Starling to reopen Mr S's account, refund the payment or otherwise pay him compensation.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 18 February 2026.

Sharon Kerrison
Ombudsman