

The complaint

X complains that Starling Bank Limited filed a scam report which resulted in another bank liquidating his crypto assets to return funds to Starling causing him to suffer financial losses.

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.

X had an account with Starling which he opened in May 2024.

In May and June 2024, X received several faster payment credits into his Starling bank account from a third party. Following these payments X transferred just under £16,000 of these funds to another account he held with a bank which I shall refer to as R. X then converted these funds into cryptocurrency.

On 7 August 2024, Starling received a fraud report from several other banks regarding a number of credits made to Starling customers' accounts, including X's. Following this, Starling blocked X's account whilst it looked into the claims.

As part of its investigation Starling contacted R and asked them to send the money that X had sent to his account back to them. On receipt of the notification from Starling, R liquidated X's cryptocurrency assets between 25 to 30 August 2024, which X says caused him a financial loss. R then returned the funds to Starling.

Starling also reached out to X and asked him to provide proof of his entitlement to the money that had been paid into his account which was the subject of the fraud reports.

X told Starling that he had received the funds after trading in cryptocurrency. And he provided Starling with screenshots of his trades, and details of his trading account in support of his explanation. Starling reviewed what X provided but asked X to provide more information between 10 August and 1 September 2024.

Starling completed its review on 1 September 2024 and let X know it had completed its review and told X it was happy he was entitled to the funds that had been paid into his account which he had sent to R. Starling removed the restriction from his account. It also advised him to stop using his account for certain activities, including Crypto Asset trading. The same day, Starling contacted R to confirm X had provided sufficient evidence of his entitlement to the funds he'd received so it was withdrawing its fraud claim. It returned the £15,917 to R on 5 September 2024.

X complained. He said despite Starling confirming to him on 1 September 2024, that it was happy the disputed money belonged to him, R proceeded to liquidate his cryptocurrency assets and sent the funds back to Starling. He said this indicates Starling failed to notify R in good time to stop this happening which resulted him losing value on his cryptocurrency assets.

In response Starling said it hadn't done anything wrong and had acted in line with its legal and regulatory obligations when it blocked X's account, asked R to send the disputed funds back to them, and asked X for information about his entitlement to the money he'd sent to R.

X remained unhappy. He said the money in his account was legitimate. And he was hoping to put the funds towards a house purchase. He said he is now out of pocket due to R liquidating his funds, which it did after Starling told R about the fraud reports. As a result, he said he has lost money, had to make more rental payments and now has to pay a higher interest rate on his mortgage. So, he wants Starling to pay him compensation.

One of our investigators looked into X's complaint. She didn't think Starling had done anything wrong so didn't uphold the complaint.

X disagreed and asked for an ombudsman to review his complaint. So, 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'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 focused 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. But I have read all X's submissions.

I want to make it clear that I understand why what happened concerned X. I've no doubt it would've come as quite a shock to him, and he would've been very worried to find out that his account and funds had been blocked. But as the investigator has already explained, Starling has extensive legal and regulatory responsibilities they must meet when providing services to customers. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime.

I've considered the basis for Starling's review and decision to block X's account. Fraud is a serious matter. Starling had been contacted by several other banks who told them a number of their customers, including X's, had received fraudulent funds into their accounts. Based on this I'm satisfied that Starling's decision to block X's account was therefore legitimate and in line with its legal and regulatory obligations. Doing so also enabled Starling to consider how best to react to the information it had received from the sending banks about the money that had been paid into X's account. So, I'm satisfied Starling acted fairly by blocking X's account.

The terms and conditions of X's account also make provision for Starling to review and suspend an account. And having looked at all the evidence, in confidence; information Starling has provided to this service in confidence, I'm satisfied that Starling have acted in line with these when it suspended X's account. So, although I understand not having access to his account caused X trouble and upset it wouldn't be appropriate for me to award X compensation since I don't believe Starling acted inappropriately in taking the actions that it did when it blocked X's account, notified R about the alleged fraud, and asked X to provide information about his entitlement to the money that was paid into his account.

I have no reason to think that X acted other than in good faith. I have no doubt either that he carried out checks to seek to ensure he was carrying out legitimate trading activity with genuine counterparties. But I do not believe it was unreasonable for Starling to rely largely on the investigations which other parties – including the bank or other institutions from which funds originated had carried out in deciding how to resolve the underlying dispute. After all they had much more information than Starling or X had about the transactions. And in the circumstances I believe it was reasonable for Starling to act as it did.

Once Starling had reviewed X's evidence and found this to be satisfactory, it removed the restriction on his account and contacted R to retract the fraud claim. And it returned the funds it had recalled, to R on 5 September 2025 so that these could be made available to X. It is unfortunate X has suffered losses as a result of R liquidating his Crypto assets, but I am satisfied Starling was obligated to notify R about the claim it had received.

In reaching this conclusion I've kept in mind that R had already liquidated X's crypto assets before Starling had completed its own review. And once Starling notified R on 1 September 2024 it was retracting its claim, and returned the funds on 5 September, it would've been up to R to decide whether to re-instate X's cryptocurrency assets, this isn't something Starling had control over. I also can't hold Starling responsible for the actions of another bank.

In summary I realise X will be disappointed by my decision. But having looked at all the evidence and circumstances of this complaint, I can't conclude that Starling have treated X unfairly when it blocked his account and recalled funds he had sent to R. So, I won't be asking Starling to do anything more to resolve X's complaint.

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 X to accept or reject my decision before 27 January 2026.

Sharon Kerrison
Ombudsman