

The complaint

Miss L is unhappy that Starling Bank Limited (Starling) hasn't refunded all the payments she made after falling victim to a purchase scam.

What happened

In summary, Miss L contacted someone on social media who said they could assist with helping her exchange her driving licence that was due to expire. Miss L paid this person initially £500 on 6 October 2024, then a further 3800 on 25 October 2024, and then finally £600 on 21 November 2024, totalling £1,900. She made the payments through bank transfer from her Starling account, through an electronic money institution: Western Union, who then sent the money to the person's wallet.

Unfortunately, Miss L paid a scammer. She found this out as she noticed that the new licence number, they gave her was not real. She then contacted the Driver and Vehicle Licensing Agency (DVLA) who told her a license had not been issued for her.

Miss L reported what had happened to Starling. She said Starling didn't intercept any of the payments and complained about this.

Starling said it sent an automated warning to Miss L for her first of the three payments, when a new payee was being set up. It said it asked a series of questions and Miss L answered saying the payment was for rent accommodation. It gave warnings and said Miss L said she understood and went ahead with the payment anyway. Starling concluded her complaint didn't meet the criteria of the reimbursement rules and it didn't uphold it.

Unhappy, Miss L brought her concerns to our service to investigate. A lot has been said between two investigators and Miss L, and I don't need to repeat all of that, because they are well known to the parties.

That said, I will summarise what the second investigator involved in this complaint said in the second view issued on 14 August 2025. He said:

- There was no typical pattern of fraud and so Starling haven't made a mistake when it processed the transactions.
- Starling's automated system relating to the first payment was regarding it being a new payee and was proportionate.
- Reimbursement codes and rules at that time didn't apply, so can't be considered.
- Starling haven't made a mistake regarding what Miss L has described as her vulnerabilities.
- Starling followed the correct procedure when it attempted to recover funds.
- Starling hasn't failed in its obligations to Miss L.
- Each case is different. We can only ask Starling to reimburse the payments if a mistake has been made, and in this case, we have been unable to do so.

Miss L was not happy with the investigator's outcome and asked that an ombudsman look at her complaint afresh. She has made a significant number of complaints throughout, and I

have carefully read all that she has said. She did though summarise her complaint points in response to the investigator's second view and subsequent email correspondence that ensued after that. These are her summarised complaint points that she has asked me to consider when I issue my decision. They are:

- CRM Code and DVLA fraud risk: Whether Starling assessed the fraud risk of the 3 payments in light of known DVLA scam patterns.
- That I should provide Starling's risk assessment records; and clarify whether they considered Western Union's frequent use in DVLA scams. She asked why this didn't trigger Starling to scrutinise the payments in relation to this further.
- Starling's warning system: she said Starling enquired about her first payment but did not explain why subsequent payments were not scrutinised, nor did our service provide details of Starling's warning processes.
- Fund recovery efforts – she said I should include specific records of Starling's recovery efforts and its communication in this regard.
- She said she expected my final decision to fully address her points and in particular: how did Starling's risk assessment process, account for known 2024 DVLA scam patterns? What specific actions did Starling take to recover her funds? Why were subsequent payments that she made to Western Union not further scrutinised after the initial enquiries it made on the first payment.

As the parties are still in dispute, Miss L's complaint has been passed to me, an ombudsman, 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.

Before I turn to my findings, I think it would be helpful to explain my role as an ombudsman and that of the Financial Ombudsman Service. Ours is an informal dispute-resolution service. My role isn't to conduct a technical audit, or carry out a line-by-line forensic review of every submission and I don't require Starling to provide internal records unless they are directly relevant to the outcome of Miss L's complaint. Instead, I consider all the evidence and arguments provided and decide what I think is fair and reasonable in the circumstances.

I appreciate that Miss L has raised a number of detailed questions and has expectations that I respond in detail to each of them individually. I have carefully read everything and taken account of what she has said, but I am not going to do what she has asked. Rather than address every point in turn, I've focussed instead, as is my role, on the central issue in dispute - whether Starling acted fairly and reasonably when processing and attempting to recover the 3 payments she made as part of this scam.

Having done so, I've reached the same outcome as our investigator for these reasons:

- The starting position in law is that Miss L is responsible for the payments she authorised, and Starling had a duty to process those instructions.
- But, as supported by the terms of the account, that doesn't preclude Starling from making fraud checks before making a payment. And, considering regulatory expectations and good industry practice, I'm satisfied that it should fairly and reasonably do this in some circumstances.
- Miss L made the first payment when Starling was signed up to the Contingent

Reimbursement Model (CRM). This was superseded from 7 October 2024, by the Payment System Regulator's mandatory reimbursement rules. Miss L has said a lot about both codes and has referenced rules given, particularly in the CRM, to support her complaint. The investigator has explained clearly why the CRM (and PSR rules) don't apply in this complaint, but Miss L does not agree. So, I will clarify again why these rules do not apply here.

- Both the CRM and PSR rules don't apply to the 3 payments in question. This is because both sets of rules cover authorised push payments made directly to another individual or business's payment account within the UK banking system. Miss L's payments were made to Western Union – a regulated electronic money institution. The funds were then sent by Western Union's own collection account, before then being transferred onwards to the scammer's wallet. Payments of this kind fall outside of the scope of the CRM Code and of the PSR's mandatory reimbursement rules.
- For completeness, I want to be clear that neither the CRM code nor the PSR rules can apply to payments made to electronic money institutions using their collection accounts, as those are not UK bank accounts belonging to the payee.
- But as I've already concluded I still need to consider whether Starling has acted fairly, considering its obligations towards Miss L, in detecting and preventing the scam.
- Based on what I have said above, I have looked into what happened with these 3 payments to see if Starling did all it ought to do and whether it made any mistakes when this all happened. I've done this because I am satisfied that Miss L was a victim of fraud here, it is clear to me she was in conversation with a scammer, and the 3 payments she made went into their hands.
- I've looked at what happened when Miss L made the payments. Looking at Miss L's account history, I'm not persuaded the 3 disputed payments appeared so uncharacteristic that Starling ought to have suspected she was falling victim to a scam. They weren't significant in value; and Miss L had made similarly sized payments previously.
- Given the value of the payments and how they were broadly in keeping with Miss L's spending, and were to a recognised and legitimate EMI, I don't think it's enough to say the payments looked significantly uncharacteristic or risky on each occasion.
- Starling did intervene and asked a series of automated questions online when Miss L made the first payment on 6 October 2024. Miss L asked why Starling did this for the first payment but not for the next 2. This is because the first payment related to a new payee for Miss L and Starling wanted to make checks and establish what the payment was for, followed by some scam warnings and advice. I don't think it acted unreasonably when it did this. And for the reasons I've given above, I also don't think on this occasion that it was necessary to then intervene again, when Miss L went on to make the next 2 payments.
- Starling's initial warning and questions were triggered because Miss L was paying a new payee. Once that payee existed and the pattern wasn't clearly uncharacteristic or high risk, Starling's systems wouldn't be expected to repeat those checks automatically.

- It follows that I don't consider it unreasonable that Starling processed the payments in line with the instructions, after its automated processes were answered by Miss L for the first payment, and without completing further scam checks for the second and third payments. After all it must balance protecting Miss L from fraud with its corresponding duty to make the payments, she tells it to in a timely manner.
- Starling said it attempted a recovery, but this was unsuccessful. Starling said it did contact Western Union's corporate bank, and they confirmed the funds had been credited to its pooled account used to process customer transfers – and couldn't be recalled. I'm satisfied on this occasion that Starling took the reasonable recovery steps available to it in the circumstances.
- Finally, I fully acknowledge and recognize Miss L's vulnerabilities based on what she has told our service, and how the scammer exploited them in the circumstances of this complaint. But Starling could only act on what was known or visible to it at that time, so I don't think it treated Miss L unfairly in this regard.
- In conclusion, I think Starling did enough when it intervened with the first payment Miss L made, but she decided to proceed anyway. I also don't think Starling ought to have intervened when Miss L authorised the second and third payments on this occasion, based on my findings above. I also think Starling was not unreasonable in the actions it took when Miss L contacted them to report the scam, and it exhausted the recovery process on her behalf. It follows that I don't think it did anything wrong on this occasion, and so I don't uphold Miss L's complaint.

I do appreciate how disappointing my decision will be for Miss L. I'm sorry this happened to her. I can see clearly, she has been the victim of a cruel purchase scam. But for the reasons I've explained I don't think her losses can be attributed to something Starling did wrong. So, I don't uphold her complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 12 December 2025.

Mark Richardson
Ombudsman