

The complaint

Mr and Mrs T complain that Starling Bank Limited hasn't reimbursed the money they've lost to a scam.

What happened

Mr and Mrs T say they were introduced to a company I'll refer to as 'C' by a family member who worked as a property advisor. In brief, C was claiming to offer investments in specific property units on the understanding they would be refurbished and rented out for social housing through councils and housing authorities who they held contracts with.

Mr and Mrs T understood that C was government-backed. After carrying out independent checks (such as reviewing C's documentation; ensuring that C was a registered business in the UK; and looking at reviews for C), Mr and Mrs T decided to invest in one unit – they paid C £6,750 on 12 September 2024 and a further £6,750 on 13 September 2024. Mr and Mrs T expected to receive monthly returns on their investment from December 2024, but no returns have been received, and C is now subject to an ongoing police investigation.

Mr and Mrs T contacted Starling to report that they'd been scammed – arguing that they should be reimbursed under the provisions of the Lending Standards Board's Contingent Reimbursement Model ('CRM Code'). Starling said it was unable to provide Mr and Mrs T with a definitive response to its fraud claim due to an ongoing police investigation into C.

Unhappy with this response, Mr and Mrs T referred a complaint to this Service. Our investigator upheld it. They were persuaded there was enough evidence to demonstrate that Mr and Mrs T's payments to C meet the CRM Code definition of an Authorised Push Payment ('APP') scam without waiting on the outcome of the ongoing police investigation – and that Mr and Mrs T are entitled to a full refund under the CRM Code. They said Starling should also pay Mr and Mrs T interest to compensate for the delay in refunding their financial loss.

Mr and Mrs T accepted our investigator's findings, but Starling appealed. In summary, it said it provided warnings before processing Mr and Mrs T's first payment to C, and that Mr and Mrs T didn't carry out proportionate due diligence before investing.

The complaint has now been passed 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.

Mr and Mrs T authorised the disputed payments. So, the starting position in law is that they are liable for them. But Starling was a signatory to the CRM Code, and it was in force when the disputed payments were made. Under the CRM Code, firms are generally expected to refund the victims of APP scams. But 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 consumer is otherwise dissatisfied with the supplier, aren't covered.

Firms generally have 15 business days to respond to claims under the CRM Code. When Mr and Mrs T contacted Starling to report that they'd been scammed, it effectively attempted to apply R3(1)(c) of the CRM Code, which says: *if a case is subject to an investigation by a statutory body and the outcome might reasonably inform the Firm's decision, the Firm may wait for the outcome of the investigation before making a decision.*

Whilst there is an ongoing investigation into C, it's not clear to me how or why the outcome of this would reasonably inform Starling's decision. The specific details of the investigation haven't been shared with our Service. It's not clear whether any proceedings will concern charges that will have a significant bearing on the issues relevant to this complaint.

As Starling is aware, any criminal proceedings that may take place in connection with C will be based on the criminal burden of proof – whereas our Service makes decisions on the balance of probabilities. And we don't know how long the investigation will take; it could be months or years.

Our Service must consider complaints quickly and with minimum formality. I don't think it would be appropriate to delay giving an answer on this complaint, for an undefined period of time, unless doing so is likely to significantly help me decide the outcome of the complaint.

What I need to decide is whether, on balance, Mr and Mrs T were scammed by C. In looking at the information we already know about C, I'm not persuaded the outcome of the police investigation is likely to have a bearing on this decision; I'm satisfied there is already enough to show the disputed payments meet the CRM Code's definition of an APP scam – which is as follows:

Authorised Push Payment scam, that is, a transfer of funds executed across Faster Payments, CHAPS or an internal book transfer, authorised by a Customer in accordance with regulation 67 of the PSRs, where:

- (i) The Customer intended to transfer funds to another person, but was instead deceived into transferring the funds to a different person; or*
- (ii) The Customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent.*

I consider it clear that Mr and Mrs T intended to pay C, for what they believed to be a legitimate purpose. So, I've gone on to consider whether C's intended purpose was broadly aligned with Mr and Mrs T's at the time the disputed payments were made – and, if not, whether this was the result of a dishonest deception by C. For the following reasons, I'm persuaded C fraudulently deceived Mr and Mrs T into making the disputed payments.

C held accounts which show around £6,000,000 being spent in a way that appears consistent with property development. But it also received around £20,200,000 from investors. Given C's standard unit price of £13,500, that means it would need to have entered around 1,500 property agreements. But the outgoing payments aren't consistent with C paying for rent, refurbishments and furnishings for this many agreements.

C claimed to hold contracts with local authorities – as it would need to have done to fulfil the investor agreements. But its beneficiary statements show no incoming payments from local authorities or housing providers.

Additionally, several local authorities have confirmed they didn't have a working relationship

with C – with one confirming an invoice C used to supposedly demonstrate their working relationship was forged. A director of C was also removed from Companies House ('CH') due to their identity being stolen; they had no connection to C. This speaks to a dishonest deception by C.

Our Service has seen evidence that at least six different units were sold to multiple investors. This comes from complainants providing the individual property addresses they thought their investment was purchasing across around 100 complaints. This information also shows around half of those addresses were in buildings where the owners have confirmed they didn't have a relationship with C.

We've also seen instances where the properties remained derelict after the investment was made or remained under construction when they were supposedly generating an income. All of this makes it seem unlikely C intended to use Mr and Mrs T's payments for a genuine property development investment.

Turning back to C's accounts, we can see around a third of the investment capital wasn't used for the purpose of securing and developing properties to be used for social housing – there were cash withdrawals, payments to individuals involved in operating C, and payments to jewellers, restaurants and more. There are further substantial withdrawals and payments for which the purpose is unknown.

Around £440,000 C received could be legitimate income, although none of this came from local authorities or social housing providers. But in comparison, around £2,500,000 was paid to investors. It's therefore clear that this didn't come from genuine income – strongly indicating C was operating a Ponzi scheme.

Overall, there's little to suggest that any transactions are consistent with C completing property development for the benefit of investors, and much more to suggest that C wasn't using investors' funds for the intended purpose. Even if any of the funds C received were used for property development, it seems likely this was done with the intention of encouraging further investment as part of an overall scam. For these reasons, I'm satisfied that the disputed payments here meet the CRM Code's definition of an APP scam – and it's unlikely the outcome of the police investigation will impact this.

The starting position under the CRM Code is that a firm should refund victims of APP scams – as I've determined Mr and Mrs T were. However, there are some exceptions under the rules which, if applicable, firms can rely on to decline reimbursement.

Of relevance here is that firms can choose not to reimburse a customer if they ignored an effective warning the firm gave them during the payment journey, or if they made the payment without having a reasonable basis for believing that the payee was the person they were expecting to pay; the payment was for genuine goods or services; or the person or business with whom they transacted was legitimate. There are further exceptions within the CRM Code, but they aren't relevant here.

I agree with the investigator's arguments about why Mr and Mrs T had a reasonable basis for belief when they made the disputed payments. Mr and Mrs T were introduced to C by a trusted acquaintance. I've seen that they were given professional and convincing literature and signed/received the documentation you might expect with a genuine investment. They carried out independent research before investing and were of the understanding that their funds would be protected by a government scheme. And, whilst Starling has suggested that Mr and Mrs T could have completed further due diligence, there weren't obvious public concerns about C at the time, and I note that C was properly registered on CH (as Mr and Mrs T established before investing). So, it's not clear what material impact this would have

had on preventing the scam – which is something firms are expected to consider when seeking to apply an exception.

Overall, although there may well have been more checks Mr and Mrs T could've carried out, I think it was *reasonable* for them to believe in the legitimacy of the investment opportunity in the circumstances, and I'm not persuaded that any of the additional checks Mr and Mrs T could've carried out would've caused them concern.

I've looked at the questions Starling asked Mr and Mrs T and the warnings it gave them, and I'm not persuaded that an effective warning, which meets the criteria set out by the CRM Code, was given, for the reasons already set out by our investigator. I consider that the warnings Mr and Mrs T were shown didn't warn them of factors relevant to the scam they fell victim to, meaning they didn't fail to take appropriate action in response that would likely have prevented the scam.

Starling has said that its warnings prompted Mr and Mrs T to seek financial advice and to check the Financial Conduct Authority ('FCA') register. However, I don't think financial advice would've led to a scam being uncovered, for the reasons I've already explained – there weren't obvious public concerns about C at the time, and C was registered on CH. I also don't think that C's absence from the FCA register would've made it clear it was operating a scam. It's not clear that the type of investment C was offering (providing social housing) would've required regulation. The information Starling has said Mr and Mrs T would've seen if they'd checked the FCA register also doesn't say that any company that's not on the register is a scam; it sets out several potential reasons why a company might not be listed, including that the FCA may not regulate the product or service the company is offering.

I therefore think that Starling should refund Mr and Mrs T's full financial loss to this scam, as I'm not persuaded it has shown any exceptions to reimbursement apply under the CRM Code.

Putting things right

To put things right, Starling should refund Mr and Mrs T's payments to C (less any sums already recovered or returned to them from the scam).

Starling should also pay 8% simple interest per annum on this amount, from 15 business days after Mr and Mrs T's APP scam claim was raised to the date of settlement. This is to compensate them for the loss of use of these funds from the point at which they should have been refunded.

In order to avoid the risk of double recovery, Starling is entitled to take (if it wishes) an assignment of the rights to all future distributions in relation to the scam payments we're upholding that arise, such as from the police investigation and criminal proceedings, before paying the award.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint and instruct Starling Bank limited to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs T and Mr T to accept or reject my decision before 17 December 2025.

Kyley Hanson
Ombudsman