

The complaint

The complaint is brought on behalf of a business “L.” But is being dealt with by one of the business owners Mr M. So, for ease I will refer to him throughout this decision.

Mr M is unhappy with Starling Bank Limited. He said Starling restricted the account, threatened closing it, didn’t provide required details, requested information it wasn’t entitled to, and provided misleading information.

Mr M was also unhappy about the way the complaint was recorded and how long it took Starling to respond.

What happened

Mr M said despite providing all the information requested by Starling it still went ahead and restricted the account. He said the knock on effect of this was to severely damage its income, its financial resources, and created losses as a result.

During the account review Mr M said he was unhappy with the communication standards, the delayed responses, not providing phone calls or adequate notice of closure within the time required under the terms of service. He said documents that had been asked for weren’t provided by the bank. Mr M said Starling didn’t answer questions or give specific reasoning for its review.

Mr M detailed the financial losses he said the business had made. He wants Starling to pay the financial losses. He also wants Starling to provide the information he requested and more compensation to reflect the true impact on the business.

Starling offered £500 compensation. It said it would consider financial losses between 25 April and 19 June 2025 based on evidence Mr M was able to provide.

Starling said its Customer Care Due Diligence team emailed (and through the app) asked Mr M for some information in March 2025. It said as part of the account terms and conditions:

“We may ask you to provide us with certain information relating to you and/or your use of your account. If we do, you must provide such information and, if necessary, supporting evidence as we may reasonably require from time to time as soon as possible. If you are unable to do so, we may need to restrict or close your account where necessary.”

Starling said in line with regulatory requirements it had to:

“● Identify and verify customer identity for personal accounts, and the ultimate beneficial owners and controllers of businesses with business accounts.

● Understand the purpose and intended nature of the business relationship or transactions expected (through the accounts, on an ongoing basis).

- *Obtain information (and evidence) on the source of funds or source of wealth for customers.*
- *Obtain information (and evidence) on the reasons for intended or performed transactions.”*

Mr M questioned why Starling wanted this information and it said this was just part of its process as a regulated bank. It pointed Mr M towards its terms and conditions and the Financial Conduct Authority (FCA) website and handbook.

Starling accepted Mr M's point about asking for everything all together rather than following up with further questions. But it said sometimes answers to questions do lead to a need for additional information.

Starling accepted it had let Mr M down and it hadn't returned a call and hadn't reviewed some information he had provided. Starling apologised for the errors.

Regarding the account closure Starling said if the information hadn't been provided by 10 July 2025 the account may be closed. It said it sent emails on this point on 11, 16 and 25 April 2025 too. It then said it may need to restrict the account on 25 April 2025.

Starling noted Mr M sent details on 19 April 2025 and in response it said it would *“reach out to you soon on 22 April 2025.”* Starling didn't respond further and then restricted the account on 25 April 2025 and didn't update again until 29 May 2025. It agreed that this was unacceptable. Internal feedback had been provided on this point.

Regarding Mr M raising a complaint it said there was a delay and that this wasn't good enough. Again, it agreed this was unacceptable and internal feedback had been provided.

It accepted waiting for a conclusion could be frustrating. It apologised for being *“unable to provide a timescale for when this review would be completed.”*

Starling said *“While I cannot go into any detail on the reasoning for the restrictions I can confirm that I have reviewed this and I do not think any restrictions should have been placed at the time they were. I have fed this back to the business again so we can learn from these mistakes.”*

In conclusion Starling said the majority of the restrictions were taken off the account on 4 June 2025. But the account card was still restricted until 19 June 2025.

Mr M remained unhappy and brought his complaint to this service.

Our investigator upheld the complaint. She said the £500 compensation figure wasn't enough and Starling should pay £750 instead. She added Starling should refund any specific late fees or interest if evidenced. But she didn't go as far as to say Starling should pay up to the £66,000 Mr M's business is claiming for. She said Mr M could have made alternative arrangements in the exceptional circumstances he found himself in when Starling closed the account. Our investigator noted L needed to take steps to mitigate potential losses by engaging with funding providers and that contracts did allow for alternatives to be used.

Mr M didn't accept this and asked for the complaint to be passed to an ombudsman for a decision.

In my recent provisional decision, I said:

“I’ve considered all the available evidence and arguments to decide what’s fair and reasonable in the circumstances of this complaint.

There’s been a lot of detailed correspondence from Mr M around the evidence for which I’m grateful. But this is an informal service so I’m not going to comment on everything included within this complaint. Instead, I’m going to stick to what I think are the central points that apply here. I can confirm all the evidence provided by both sides has been considered. Just in case that doesn’t suit Mr M’s needs he may decide rather than accept this provisional decision whether or not he needs to take legal action against Starling. He can let us know what he would rather do in response.

Mr M has shown evidence that on 21 March 2025 he provided an ownership breakdown letter to Starling. This gave a breakdown of the share capital and ownership structure, voting rights, legal entities within the structure and the ultimate beneficial owners. He followed up on 24 March 2025 and provided a letter to Starling confirming the shareholding percentage of two specific individuals. This gave a full share breakdown, names, email addresses, and mobile phone numbers for all shareholders above 10% of the company. It also provided the turnover, the deposits value, transaction information, and total investments made. Mr M was able to show this was amongst other attempts he made to contact Starling made on 14,20,24 March and 11 April 2025. He continued to give details of all investors and shareholders again. I note when much later Starling asked for details of all the funding investments from business T, Mr M provided the dates and the amounts involved on 11 June 2025.

Starling responded on 11 April 2025. It thanked Mr M for the structure chart but said this needed to be from an independent solicitor or accountant. Starling said there was no breakdown for the nominee shareholders or their country of residence. It asked for more evidence of the source of revenue from investments. It was around this point it shifted the date for the evidence to be provided from 10 July 2025 to 25 April 2025, or it may restrict the account.

Mr M noted after the account was restricted in April a number of payments couldn’t be made into the Starling account. Mr M said this included a VAT return for over £17,000, a revenue payment for in excess of £18,000, more than £20,000 in investment funds and a grant worth £24,018.59. Mr M has provided written proof from the grant provider that shows due to the Starling account being restricted and the payment not being able to be made the grant has been revoked. And Mr M and the business will not now get that money. Mr M said the cashflow that these amounts totalled and should have reached the Starling account was £79,858.85. He said it was very difficult to support the business without these funds.

The business managed to open a new business account with another bank “R” on 8 May 2025.

The letter from the grant provider was dated 13 May 2025. It confirmed the grant amount of £24,018.59 had been withdrawn from Mr M’s business. It stated it had been unable to make the payment to “a valid UK bank account.”

Mr M said it was unfair for Starling to insist on new requirements on 11 April 2025 compared to its original request for details 14 March 2025. He also said Starling’s timeframes for him to respond had been unrealistic and unreasonable. Mr M said he had no issue with Starling wanting to review the account. But he said Starling had inadequately resourced the query to him about the business. He said this caused losses to increase due to Starling’s lack of action. He said the requested information had been provided in advance of Starling restricting the account on 25 April 2025. Mr M said it took five weeks plus for Starling to even respond.

Mr M said Starling's actions had been disproportionate and it failed (after being put on immediate notice of the issue) to take reasonable action to prevent, limit and mitigate the businesses financial losses caused by the account restrictions.

Account closure

Mr M said in late July 2025 Starling closed the business current account. He said this added to the problems for the business to continue and wanted the closure issue to be added to this complaint.

Starling said the closure of the account wasn't part of the original complaint. It said, "If the business wishes to raise a complaint regarding the business current account closure, this would need to be addressed as a new, separate complaint."

I realise that will be frustrating for Mr M and the business, but Starling is correct on this point. This wasn't part of the original complaint and so I can't consider it or make a finding on it in this decision.

Financial loss

Mr M said Starling upheld the complaint. He said it agreed to pay all financial losses as a result of the account restriction. Mr M said he had provided Starling with the documentation of this with an outline of each claim for financial loss suffered due to the account restriction. Mr M asked for this to be settled in two weeks as the business would be unable to sustain or absorb the level of financial loss caused by this issue. He said one financial provider who had supported the business through this period could no longer offer support and would need to seek repayment. Mr M said with a new client due to join and software development requirements to meet the new client's needs, it was struggling due to the cashflow restraints due to the account restriction.

Mr M said the future of the business was in jeopardy.

In terms of the financial losses made by L it laid these out as follows:

Interest on a working capital loan over 12 months - £16,970.85.

Interest on a working capital loan for 12 months - £1,006.50.

Lost revenue from S - £18,037.28.

Lost grant - £24,018.59.

Loan interest cost - £4,137.80.

Late payment fees - £25.30.

Labour costs - £1,865.40.

Total - £66,061.72.

Mr M said in order to continue trading L had to take the two extra interest bearing loans. This was to maintain solvency and creditworthiness to meet its payment obligations and maintain labour resources to mitigate the delays for onboarding customers and securing revenues.

Starling did apologise for the issues caused and it offered £500 in compensation. It did say it would review, "any evidence of financial loss between the dates 25 April 2025 and 19 June 2025." But said redress for labour wasn't typically payable to a business as managing banking arrangements is a normal part of businesses operation. It also said it was unclear whether the lost revenue from S was eventually received. Or if the payment could have been sent to another account of L's. I accept both of these points. It doesn't really matter if it was a business labour cost or that of an individual personal complaint it is rare for such costs to be paid. And S still owed L the money, so I don't dispute what Starling said here. I don't think Starling needs to pay either of these two costs.

Regarding the loans Starling said, "these represent commercial borrowing decisions entered into after the restriction was applied. The evidence does not demonstrate that this borrowing was unavoidable or that the costs were a direct consequence of Starling's actions rather than wider business funding decisions." But I think Mr M's point is that these were indeed entered into after the restrictions were applied, because the restrictions were applied. So, to Mr M and L this was done because of the issues the restriction created. I fail to follow the logic Starling is trying to apply. I think in line with its original position about paying for financial losses that are valid the sums of £16,970.85 and £1,006.50 claimed here are useful as a guide. The higher figure was for a loan of £45,000 although I'm under the impression the request was for £30,000 and the lender offered more which L and Mr M accepted. So, I think the £16,970.85 interest figure needs to be adjusted to take account of the interest that would have applied to £30,000 rather than £45,000. The £1,006.50 should be paid on proof of evidence along with the revised and lowered figure from the £16,970.85.

Regarding the grant Starling said, "the evidence does not demonstrate that the restriction directly caused the loss of the grant. We believe that they hold another account that the grant could have been paid into, also there is no evidence that the grant could not be paid into another account or be held." But the evidence I've presented above clearly states that L lost that money as the grant holder couldn't pay the £24,018.59 into the Starling account. I think Starling needs to pay this. It is clearly a loss it agreed to pay in its final response.

On other amounts Starling said, "where specific fees or charges are evidenced and shown to have arisen directly because payments could not be made due to the restriction, Starling remains willing to consider reimbursement." I think that needs consideration in relation to the £4,137.80 and the £25.30 evidence which should be passed to Starling to consider.

Starling highlighted that under the terms and conditions of the account:

"We may ask you to provide us with certain information relating to you and/or your use of your Account. If we do, you must provide such information and, if necessary, supporting evidence as we may reasonably require from time to time as soon as possible. If you are unable to do so, we may need to restrict or close your account where necessary."

It confirmed it needed to comply with regulatory requirements too:

"● Identify and verify customer identity for personal accounts, and the ultimate beneficial owners and controllers of businesses with business accounts,

● Understand the purpose and intended nature of the business relationship or transactions expected (through the accounts, on an ongoing basis),

● Obtain information (and evidence) on the source of funds or source of wealth for customers,

● Obtain information (and evidence) on the reasons for intended or performed transactions."

Starling said this was all in line with the Financial Conduct Authority (FCA) handbook. It provided Mr M with links to its account terms and conditions and the FCA website.

But Starling did accept communication had been poor, there were delays, it didn't review some information provided by Mr M and it didn't carry out call backs it said it would. It accepted it didn't respond to Mr M's initial responses and that this was unacceptable. The complaint handler said, "I am sorry we let you down."

A call date and time was set to discuss the matter on 15 April 2025 and then didn't happen. Starling did try to call the next day, but Mr M wasn't available, and it wasn't what was arranged.

Starling advised Mr M initially that the information would be required by 10 July 2025 and replied to Mr M to tell him after he first provided details that no further information was needed. Based on a further request from Starling on 11 April 2025 Mr M gave further information on 19 April 2025 and Starling confirmed receipt and said it would update by 22 April 2025. In the background of this Starling had suggested it "may" need to restrict the account. But instead of discussing it with Mr M or dealing with the missed call or responding to the evidence provided it did go ahead and restrict the account on 25 April anyway. In the circumstances here it is hard to accept that was a fair and reasonable approach to take.

There's nothing to suggest Mr M was being uncooperative or hadn't been forthcoming with details. To accept Starling's point that sometimes answers to questions may lead to more questions also suggests a certain fluidity to the process. One that Starling then chose to just set aside and restrict the account without further response or discussion.

It didn't respond further until 29 May 2025, but it still went ahead with the account restriction from 25 April in the meantime. Again, it said this lack of communication from it was "unacceptable." And accepted this had been a mistake. But despite this it has maintained its approach is correct. I don't accept it is.

Starling was clear in its final response about the account restriction, "While I cannot go into any detail on the reasoning for the restrictions I can confirm that I have reviewed this and I do not think any restrictions should have been placed at the time they were. I have fed this back to the business again so we can learn from these mistakes." I think that's perfectly clear. It placed the restriction when it didn't need to or shouldn't have done.

Starling has now attempted to row back from these comments. It now states, "The restriction applied on 25 April 2025 was not applied arbitrarily or in error. It was taken as part of Starling's ongoing customer due diligence and financial crime obligations, and in line with our contractual terms.

While we're unable to share the specific triggers or internal risk indicators that led to the review to L, we can confirm the action was taken to enable regulatory checks to be completed and was not inconsistent with our regulatory responsibilities at the time. This remains Starling's position."

With its business file Starling said, "The business account was restricted on 25/04/2025 due to lack of response."

I think this is inconsistent from Starling. From the information I have seen Mr M was responding on behalf of L. And although I accept Starling may not be able to go into a lot of detail about issues that crop up it hasn't been consistent on why the timeframe was cut so short and at the same time it wasn't responding to Mr M's queries. Even though I accept

Starling is entitled to apply restrictions around regulatory checks it isn't clear that it did this in an organised or planned way in this instance.

Starling now says, "the wording in the final response should not be read as an acceptance that the restriction itself was inappropriate, negligent, or unjustified when it was applied. References to the restriction "not being placed at the time it was" reflect a retrospective assessment of service quality and communication, informed by how the review unfolded, rather than a concession that Starling lacked regulatory grounds to take action." I don't accept this. It doesn't give any reasons, it doesn't provide any evidence. It just asks that the Starling final response letter – its own letter, be set aside without any other details to back up why this should be the case.

It has accepted in its final response and when it provided its business file that it failed on occasions to respond to L and Mr M. It said itself, "It was not until 11/04/2025 that we clarified that further documentation was in fact required." So, even though it agreed all along that requests could be detailed and time consuming it suddenly cut the response time to conclude matters from months to a matter of days. And at the same time admitted when Mr M did respond on behalf of L that, "From 22/04/2025 to 29/05/2025, Starling again failed to respond. During this time, the account was restricted without communication to the customer." I don't see how in any circumstance Starling could consider that to be fair and reasonable.

When it did finally respond on 29 May 2025 Mr M replied on 31 May 2025. After this part of the account had restrictions lifted 4 June 2025.

Starling maintains the April to July timeframe wasn't intended to be a guarantee that no interim restriction could be applied. But it said, "We accept that this distinction was not clearly communicated and that this caused understandable confusion and frustration. However, we do not agree that this renders the restriction itself unreasonable. We had advised that the account would be restricted in the initial request." I think it's clear from my findings I don't agree with Starling on this. I think it has been inconsistent, and Mr M had a point when he referred to how Starling dealt with his queries and his feeling about how it was resourced. It said it "may" restrict the account and then just went ahead and did it without any further communication. I don't think that's fair.

Starling accepted the investigators increased compensation award of £750 should be paid, so it should now also pay this.

Mr M has also referred throughout to complaint handling failures from Starling. I can't look into this as complaint handling isn't a regulated activity.

In terms of the amounts I haven't said Starling should pay L and Mr M would need to produce correspondence from the parties involved clearly stating why these amounts weren't paid to it. This would need to be in a similar style to the letter around why the grant wasn't paid. And L would need to produce statements from the new account with R for the first several months of the account opening too."

Responses to my provisional decision

Mr M responded to say he had discussed the provisional decision with L's board and advisors and accept it.

Starling responded and its main points were:

It is entitled to restrict accounts in line with ongoing customer due diligence and financial crime obligations. It said I had placed disproportionate weight on service and communication issues rather than whether the restriction itself was reasonable and justified. It said service shortcomings do not negate regulatory grounds.

Starling said the provisional decision relies heavily on the final response wording. But the wording was a “*retrospective service assessment*” and not an admission regulatory thresholds were not met.

It said it advised the customer restrictions may be applied if required information wasn’t provided and it didn’t have to issue further warnings once that possibility had been communicated.

Starling said the provisional decision doesn’t apply sufficient analysis to causation or mitigation. It noted alternative banking arrangements were available and not reflected in terms of L mitigating its losses in the provisional decision.

It didn’t accept the grant was lost due to the account restriction. Starling said payment was attempted on 15 May 2025 and by then L had already made other banking arrangements. It said the terms of the grant noted by prior agreement, and in exceptional circumstances, the money could be paid to an alternative bank account. It said there was no evidence L sought such an agreement or that one was refused.

It continued there was no evidence the grant provider couldn’t pause or defer. It said the decision by the grant provider cannot reasonably be attributed to Starling’s actions. It didn’t accept it was a direct or unavoidable consequence.

It said any evidence that hasn’t been shared with Starling be provided to it.

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.

All along Starling accepted it would pay the financial losses between the 25 April 2025 and 19 June 2025 dates. And I think it needs to stick with that position despite its attempts to now move away from making such payments. I’ve been clear that the amounts will need to be documented and that will be down to Mr M and L to show to Starling. I confirmed it would need to provide proof from the new account too – this would show any money that it did receive so it can’t get the same money paid to it twice. I also confirmed it will need to provide Starling evidence of the loans interest too. I think that’s fair. It has been accepted by Mr M and L. I’m unsure why Starling doesn’t feel that’s reasonable.

Starling hasn’t explained how I’ve applied disproportionate weight to the service and communication it provided. And it hasn’t provided any evidence to show why or how Mr M and L was failing to provide details it requested. It said weight shouldn’t be applied to its own final response where it talked about mistakes it had made. But it hasn’t made a better, more coherent case for this service to reconsider different facts.

Starling hasn’t explained why it took a further five weeks to respond, or that when it did Mr M responded straight back within a couple of days. And that this led to it lifting the restrictions. This if anything highlights its final response was right and it had made mistakes. It again confirms when it did ask for information Mr M did provide detailed responses and these were tailored to what Starling asked him for.

Starling hasn't shown there was a very important need or reason to shorten timeframes for responses or to chop months off the end date it originally set. In fact, it hasn't explained at all why it claims it was right to take this action at a much earlier date. It has been given numerous opportunities to do this with Mr M and L, and to this service. It hasn't done so or attempted to.

Starling mentioned regulatory thresholds and then didn't explain what it meant and how these had to apply earlier than originally planned. And said further warnings didn't need to be made. But has offered nothing by way of reasoning. Just that it can act unilaterally against a business that was busy responding to its requests and providing details each time Starling asked for them.

Starling then suggested the problems with money not being able to be paid into the now suspended Starling account lay elsewhere. It referred to a date the grant was attempted to be paid after it had suspended the account. But the date it refers to is after the date of the letter from the grant provider confirming the amount had been withdrawn. So that doesn't make any sense.

In view of the lack of clear and indisputable new evidence from Starling and the response from Mr M I see no reason to change my provisional decision and so it becomes my final decision.

Putting things right

- Pay based on proof of evidence the interest on the working capital loan of £1,006.50.
- Pay based on proof of evidence the interest on the working capital loan based on the revised loan of £30,000 rather than £45,000. This is likely to be approximately two thirds of the requested amount of £16,970.85.
- Pay the lost grant money due to the account not being accessible of £24,018.59.
- Consider paying based on proof of evidence the loan interest of £4,137.80 and late payment fees of £25.30.
- Pay £750 compensation.

My final decision

I uphold this complaint.

I require Starling Bank Limited to:

- Pay based on proof of evidence the interest on the working capital loan of £1,006.50.
- Pay based on proof of evidence the interest on the working capital loan based on the revised loan of £30,000 rather than £45,000. This is likely to be approximately two thirds of the requested amount of £16,970.85.
- Pay the lost grant money due to the account not being accessible of £24,018.59.
- Consider paying based on proof of evidence the loan interest of £4,137.80 and late payment fees of £25.30.
- Pay £750 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 23 February 2026.

John Quinlan
Ombudsman