

The complaint

Mr D, who is represented, complains that Starling Bank Limited won't reimburse him a loss he suffered after he was a victim of fraud.

What happened

As the circumstances of this complaint are well-known to both parties, I have summarised them briefly below.

In August 2023, Mr D came across a post on a social media platform offering an investment opportunity. He contacted the profile's owner and expressed an interest.

Mr D was told that if he invested funds, they would be traded on his behalf in crypto assets and any profits would be paid to him. Happy to proceed, Mr D made an initial investment of £1,000, which he transferred from his Starling account.

Mr D saw significant returns and attempted to make a withdrawal. But each time he was presented with barriers, which required him to deposit further funds in order to receive his returns. Mr D made three further payments on the instruction of the third-party. A list of the payments in their totality are as follows:

Payment no. and date	Payment type	Amount
1. 3 July 2023	Bank to bank transfer	£1,000
2. 6 July 2023	Bank to bank transfer	£4,000
3. 18 August 2023	Bank to bank transfer	£7,500
4. 18 August 2023	Bank to bank transfer	£7,500

After following the instructions given, Mr D was again presented with further payments he'd need to make to withdraw the profits he could see within his online portal. It was at this stage Mr D realised he'd been the victim of fraud.

Mr D reported the fraud to Starling and it considered his claim. Having done so, it decided to partially reimburse him £5,000 of the loss suffered. This, I infer, related to the first two payments in the table above.

Unhappy with this, Mr D referred his complaint to our service for an independent review. An Investigator considered the evidence and testimony provided by both parties, but concluded Starling ought to have reimbursed more than it did. In summary, they found Starling ought to have intervened from payment three in the table above. And, had it done so, it likely would have prevented any further payments being made.

However, they also found that Mr D should equally be held liable for his loss, as he ought to

have done more to protect himself. They therefore recommended a 50% reduction be made to that reimbursement.

Mr D accepted the Investigator's recommendations, but Starling did not. It argued that as Mr D had an option to pursue redress through the company that issued loans to him—and were ultimately used to fund the final two payments—it didn't find it reasonable that it should be held liable.

As Starling disagreed with the Investigator's findings and recommendations, the matter was passed to me to decide.

On 29 August 2025, I issued my provisional findings to both parties providing two weeks for any further comments to be made. Those findings were as follows:

"Considerations

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

There is no dispute here that Mr D authorised the transactions in question. And the starting position in law is that Mr D will be held liable for transactions he authorised in the first instance. That is due to Starling's primary obligation to process payments in line with its customer's instructions, as set out in the Payment Services Regulations 2017.

However, at the time the payments subject to this dispute were made, Starling was a voluntary signatory to the Lending Standards Board's Contingent Reimbursement Model (the CRM code). This code requires firms to reimburse customers who have been the victim of authorised push payment (APP) scams in all but a limited number of circumstances.

One of the circumstances, relevant to this complaint, is where Starling can demonstrate Mr D made the payments without a reasonable basis for believing they were for genuine goods or service, or, the person/business with whom he transacted was legitimate.

Can an exception to reimbursement be relied upon here?

Mr D and Starling are in agreement on this point, in that Mr D didn't hold a reasonable basis of belief. I therefore see no reason to dwell on this point. However, for the avoidance of doubt, I have summarised the reasons I agree with this assessment as:

- The rate of returns promised as part of the investment were wholly unrealistic and baseless.
- Mr D didn't carry out sufficient due diligence on the person or business to whom he was communicating with.
- Mr D seemingly ignored warning signs, such as making payment to a third-party account that was not in the name of the person or business he was communicating with.

Having said the above, I have balanced this against Mr D's inexperience in investments, the way in which he was introduced to the fraud, and the highly tuned persuasion tactics fraudsters deploy to instil trust in their victims.

So, overall, I'm satisfied that this exception to reimbursement can be relied upon in the circumstances of this complaint. However, Starling also has requirements it must adhere to

as part of the CRM Code.

Could Starling have done more to prevent the fraud?

The Code says that firms, such as Starling, ought to be on the lookout for payments that present an APP fraud risk. And where it identifies such payments, it should intervene in them by providing effective warnings. If Starling fails in its requirements to this regard, it can also be held partially liable for the loss.

Starling has a difficult balance to strike in carrying out its primary obligation of processing payments in line with its customers instructions and detecting and preventing payments that present a risk of fraud. And it must also be taken into consideration that Starling processes a substantial number of payments at any given time.

Accounting for the above, the first payment subject to this dispute, while I don't doubt represented a lot of money for Mr D, wasn't in my view a standout payment when considering it against Mr D's normal account activity. It wasn't uncommon for him to make occasional higher value payments, and it wasn't so high in value that Starling ought to have been alerted to a serious risk.

However, by the time Mr D had made the second payment, I find there was cause for concern. Mr D had made two payments to a new payee within the space of a few days. And collectively these payments amounted to a considerable sum, as the total value was well above any transaction Mr D had previously made on his account in the preceding six months.

This presented a high risk, in that the payment bore the hallmarks of a pattern typically associated with fraud. And I find that risk was great enough that Starling ought to have contacted Mr D with the purpose of finding out the reasons he was making that payment and eliminating the possibility of fraud.

Had Starling done so, I'm persuaded it's more likely than not that the fraud would have been prevented.

The evidence in this case suggests that Mr D was being guided by the fraudster via a telephone call. However, that advice appears to have been regarding the setup of his crypto wallet and in the payment journey when navigating payment screens. This advice was being given in real time and Mr D has confirmed that he'd not been coached in the event his bank contacted him and probed the payments.

Therefore, it's likely that had Starling contacted Mr D it would have severed any live communication he had with the fraudster, and he would have had to respond in real time without their guidance. Mr D was also less entrenched in the investment at this stage as he'd only parted with the initial investment payment in the table above. It is therefore likely that the true purpose of the payments would have been revealed.

Had the circumstances surrounding the investment been revealed, Starling would have been well aware Mr D had fallen victim to an investment fraud; it carried all known characteristics of such offences. This would have allowed Starling to educate Mr D on such frauds and prevent him from continuing to make payments.

For the above reasons, I find that Starling could have prevented the fraud from payment two in the table above. It is therefore reasonable that it ought to share liability for those payments.

Additional considerations

Starling has argued that it shouldn't have to reimburse Mr D the final two payments made, as these were sourced from a credit provider who ought to be approached by Mr D for redress.

However, Mr D has only complained about Starling, and I cannot compel him to complain about the credit provider who issued the loan. I do not think it would be fair to reduce Mr D's compensation because he's only complained about one firm, as I consider Starling ought to have prevented the loss.

Mr D has confirmed that the debt associated with this loan is still outstanding and being repaid.

Recovery

From reviewing the evidence, I can see that Starling contacted the receiving banks in good time to report the fraudulent payments. But unfortunately, no funds remained in those accounts to recover."

Mr D's representative accepted the findings made. Starling failed to respond despite an extension being given to the time in which it could respond.

As both parties have now had a fair opportunity to respond, I am able to deliver my final decision.

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.

As both parties have provided no additional information after considering my provisional findings, I don't depart from them.

Putting things right

Starling ought to have reimbursed £9,500 (being 50% of the final three payments). Mr D has already been reimbursed £5,000 – so I intend to ask Starling to reimburse Mr D the remaining £4,500.

As Starling ought to have intervened at the point of payment, I also find it fair that it pays 8% simple annual interest on that reimbursement from the date of payments to the date of settlement.

My final decision

For the reasons I have given above, I uphold this complaint and direct Starling Bank Limited to:

- Reimburse Mr D £4,500.
- Pay 8% simple annual interest on that amount from the date the payments were made to settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 17 October 2025.

Stephen Westlake
Ombudsman