

The complaint

Mr M complains that Starling Bank Limited ('Starling') as the receiving bank, could've prevented the loss he suffered.

What happened

In 2021, Mr M was introduced to an individual by a friend he'd known since secondary school and trusted. I'll refer to the individual as K. K holds a bank account with Starling.

Mr M was told that K made money through investments in property and cars but needed help with emergency business costs. Mr M was told he would earn double his money back as well as a lease car.

Mr M made two payments to K's Starling account. The first payment was made 7 July 2021 for £125 and the second payment was made 8 July 2021 for £20,000.

Mr M didn't receive his money and says it was a scam. He reported it to his bank in 2024.

Mr M raised a fraud claim with Starling saying:

- They allowed the beneficiary account to be opened.
- They didn't question the activity on the account
- They didn't safeguard his funds when the scam was reported.

Starling declined to refund Mr M saying appropriate checks were completed and they're not liable for his loss.

Mr M wasn't happy with Starling's response, so he brought a complaint to our service.

An investigator looked into his complaint but didn't uphold it. The investigator was satisfied that Starling acted reasonably in opening the account and monitoring activity on the account. As the fraud wasn't reported until years after the payments were made, no funds could've been recovered and Starling aren't liable for Mr M's loss.

Mr M disagreed with the investigator's opinion and asked for an ombudsman to review the case. Mr M believes Starling should've been concerned about the payment of £20,000, and that their customer was receiving money related to an investment with no regulatory approval.

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.

Starling are a signatory of the Contingent Reimbursement Model (the CRM Code). This sets out what is expected of the 'sending firm' and 'receiving firm' when payments are made or received. Starling are the receiving firm in this complaint.

The CRM Code says the receiving firm should "take reasonable steps to prevent accounts from being used to launder the proceeds of APP scams. This should include procedures to prevent, detect and respond to the receipt of funds from APP scams. Where the receiving Firm identifies funds where there are concerns that they may be the proceeds of an APP scam, it should freeze the funds and respond in a timely manner."

It's important to note that Starling has shared information with our service, which I can't share due to data protection issues as it relates to a third party. However, I have taken it into account in reaching an answer on this complaint.

Account opening process

I would expect Starling to take reasonable steps to prevent accounts from being opened for fraudulent purposes, by having robust processes and checks in place in relation to opening new accounts.

From what I've seen, Starling have followed its internal processes and completed relevant due diligence checks before opening K's account. They have shared with us the checks they completed, and the information obtained about K. I haven't seen any information obtained during those checks which would've suggested to Starling that the account may be later used for fraudulent purposes. So, I'm satisfied that Starling acted reasonably in opening K's account.

The activity on K's account

I've also considered whether Starling should've been on notice that K was potentially carrying out fraudulent activity, or had concerns, based on the activity on K's account.

Mr M's payment of £125 had a reference of "invoice", and the payment of £20,000 had a reference of "car".

While I can't share the details of what I've seen, I'm not satisfied there was activity on K's account which should've caused Starling concern. Mr M's payment wasn't so unusual and out of character, that I would've expected Starling to have intervened when it was received. So, I'm not persuaded that they missed an opportunity to prevent Mr M's loss.

Did Starling act responsibly once made aware of Mr M's scam claim?

When Starling is notified that an account has received a credit resulting from an APP scam, I'd expect it to take appropriate action in a timely manner. This includes blocking or restricting the account while it investigates and, where appropriate, returning any funds that remain.

Unfortunately, by the time Mr M reported the fraud, his funds had already been removed from K's account. So, no funds could've been recovered.

Mr M has referred to K receiving funds relating to investment with no regulatory approval. However, there was no reason for Starling to believe that Mr M's payment related to an investment – especially based on the references attached to the payments which showed on K's account. Also, it's worth noting that Mr M said he was helping K with emergency business costs, not making a regulated investment through K.

I'm really sorry that Mr M has been left with serious financial difficulties due to the loss of these funds, and to hear of the impact on his mental health and his family's wellbeing. But I'm not satisfied that I can fairly hold Starling liable as the receiving bank or ask them to refund him.

My final decision

My final decision is that I don't intend to uphold this complaint against Starling Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 3 December 2025.

Lisa Lowe
Ombudsman