

The complaint

Mr T complains that Starling Bank Limited has not refunded money he lost to a scam.

What happened

Mr T was looking online for investment opportunities and came across an opportunity with a company I will call 'C'. He says he saw various articles about C's activities and so made an enquiry. C called Mr T back and claimed to offer investment in social housing schemes via rent-to-rent investment backed by the government. Mr T discussed the investment with representatives of C and carried out some research of his own into C.

Satisfied with that he had seen, Mr T decided to invest £13,500 into the scheme. He expected to receive £600 per month returns on his investment for three years, and signed a contract to this effect. Mr T made the payment to C via his Starling account on 9 April 2024.

Mr T received some initial returns between July and October 2024, but these payments then stopped. He was told that C had been experiencing difficulties but was taking steps to ensure that all investors would receive their money back in January 2025. But no refund was forthcoming, and C went into liquidation. Mr T then became aware of various reports from other investors that C had been operating a scam.

Mr T raised his concerns with Starling. Starling said that it was pausing all cases relating to C until it received further guidance from the banking industry, as it was aware of an ongoing police investigation, and so would not be making a decision on the outcome of Mr T's claim.

Mr T referred his concerns to our service. One of our Investigators considered the complaint, they felt that Mr T had been scammed and so the payment should be covered by the Lending Standards Board's Contingent Reimbursement Model Code (the Code) which was in place at the time. When considering the Code, the investigator felt that none of the exceptions to reimbursement applied, so they felt that Starling should refund Mr T's loss in full, plus 8% interest from the date that Starling declined to consider Mr T's claim

Mr T accepted the Investigator's findings, but Starling did not. It has said that Mr T did receive appropriate warnings about the payment he made to C and that Mr T did not do enough due diligence regarding C before deciding to invest.

So, as no agreement could be reached regarding this complaint, it has been passed to me for review.

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.

Having done so, I've reached the same outcome as our Investigator and for broadly the same reasons.

Is it appropriate to determine this complaint now?

I have considered whether it would be appropriate to delay my decision in the interests of fairness, as I understand that investigations into C are still ongoing.

There may be circumstances and cases where it's appropriate to wait for the outcome of external investigations and/or related court cases. But that isn't necessarily so in every case, as it may be possible to reach conclusions on the main issues on the basis of evidence already available. And it may be that the investigations or proceedings aren't looking at quite the same issues or doing so in the most helpful way. I'm conscious, for example, that any criminal proceedings that may ultimately take place might concern charges that don't have much bearing on the issues in this complaint; and, even if the prosecution were relevant, any outcome other than a conviction might be little help in resolving this complaint because the Crown would have to satisfy a higher standard of proof (beyond reasonable doubt) than I'm required to apply (which is the balance of probabilities).

As for investigations by liquidators/administrators, these are normally made for the purpose of maximizing recoveries for creditors. Sometimes they lead to civil proceedings against alleged wrongdoers, or against allegedly implicated third parties. But the claims may not be relevant to the issues on the complaint. And, even if they are potentially relevant, such claims are quite often compromised without a trial and on confidential terms, so the outcome is of little benefit to our service.

In order to determine Mr T's complaint, I have to ask myself whether, on the balance of probabilities, the available evidence indicates that it's more likely than not that he was the victim of a scam rather than a failed investment. But I wouldn't proceed to that determination if I consider fairness to the parties demands that I delay doing so.

I'm aware that Mr T first raised his concerns with Barclays in early 2025, and I need to bear in mind that this service exists for the purpose of resolving complaints quickly and with minimum formality. With that in mind, I don't think delaying giving Mr T an answer for an unspecified length of time would be appropriate unless truly justified. And, as a general rule, I'd not be inclined to think it fair to the parties to a complaint to put off my decision unless, bearing in mind the evidence already available to me, a postponement is likely to help significantly when it comes to deciding the issues.

I'm aware the above processes might result in some recoveries for C's investors; in order to avoid the risk of double recovery, I think Starling would be entitled to take, if it wishes, an assignment of the rights to all future distributions to Mr T under those processes in respect of this investment before paying anything I might award on this complaint.

For the reasons I discuss further below, I don't think it's necessary to wait for the outcome of any investigations by the police or the liquidators for me to fairly reach a decision on whether Starling should reimburse Mr T under the provisions of the CRM Code.

Has Mr T been the victim of an APP scam, as defined in the CRM Code?

It isn't in dispute that Mr T authorised the payment that is the subject of this complaint. Because of this, the starting position – in line with the Payment Services Regulations 2017 – is that Mr T is liable for the transaction. But Mr T says that he has been the victim of an authorised push payment (APP) scam.

Starling was signed up to the voluntary CRM Code, which provided additional protection to scam victims at the time this payment was made. Under the CRM Code, the starting principle is that a firm should reimburse a customer who is the victim of an APP scam

(except in limited circumstances). But the CRM Code only applies if the definition of an APP scam, as set out in it, is met. I have set this definition out below:

...a transfer of funds executed across Faster Payments...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.*

The CRM Code is also explicit that it doesn't apply to private civil disputes. The wording in the code is as follows:

This Code does not apply to:

b) 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 Customer is otherwise dissatisfied with the supplier.

I've therefore considered whether the payment Mr T made to C falls under the scope of an APP scam as set out above. Having done so, I think that it does.

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 also claimed to hold contracts with local authorities – as it would need to have done to fulfil the investor agreements. But C's 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 due to their identity being stolen; they had no connection to C. This speaks to a dishonest deception by C.

Our service has also 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 T's payment for genuine property development investments.

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 – ranging from cash withdrawals, to payments to individuals involved in operating C, to paying jewellers, restaurants and more. There are further substantial withdrawals and payments which the purpose for 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, £2,500,000 was paid to

investors. It's clear this didn't come from genuine income – strongly indicating C were operating a Ponzi scheme.

Overall, there is little to suggest any transactions are consistent with C completing property development for the benefit of investors, and much more to suggest C weren'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.

Having carefully considered all the evidence, I'm of the opinion that C most likely wasn't using investor funds for the purpose in which they were intended, and this demonstrates that they weren't the "legitimate supplier" of a service. I think their conduct went beyond simply misleading investors about a genuine investment opportunity and that the real purpose of the payments received was different to what Mr T and other investors were led to believe – and this was through dishonest deception. It follows that I think this complaint meets the definition of an APP scam as set out in the CRM Code above.

Returning to the question of whether in fairness I should delay reaching a decision pending developments from external investigations, I have explained why I should only postpone a decision if I take the view that fairness to the parties demands that I should do so. In view of the evidence already available to me, however, I don't consider it likely that postponing my decision would help significantly in deciding the issues. In regard to the police investigation, there is no certainty as to what, if any, prosecutions may be brought in future, nor what, if any, new light they would shed on evidence and issues I've discussed.

Is Mr T entitled to reimbursement under the CRM Code?

I've considered whether Starling should refund Mr T under the provisions of the CRM Code. Under the CRM Code the starting position is that a firm should reimburse customers who have been the victim of an APP scam, except in limited circumstances. These circumstances include:

- Where the firm can establish that the customer made the scam payments without a reasonable basis for believing that they were for genuine goods or services; and/or that the payee was legitimate.
- Where the firm can establish that the customer ignored an "effective warning" (as defined by the Code)

So, I've thought about whether Mr T had a reasonable basis to believe C was legitimate and was providing a genuine investment opportunity. In doing so, I have considered the following:

- Mr T found the opportunity with C via what he considered to be reputable links online.
- Mr T carried out his own checks including looking at Companies House to check that C was a properly registered business.
- The paperwork and emails Mr T received relating to the investment appeared professional with no clear red flags present.

Given what Mr T had been told and had seen, and what he had found out himself, I think there was enough to reasonably convince Mr T that this was a genuine investment he could trust.

I acknowledge what Starling has said about C not being regulated by the FCA, but I 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 T would've seen if he'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. And there were no clear public concerns about C at the time Mr T made his payment. With this in mind, I don't think Mr T made the payment without a reasonable basis of belief that C was acting legitimately.

I've also thought about the warnings that were provided when Mr T made this payment. But having done so I don't think I can fairly say that Mr T ignored an effective warning during the course of this scam. Starling argues it showed "sufficient warnings" for the payment. But in order to decline to refund Mr T for this reason, it would need to show the warnings met the CRM code's criteria for an effective warning and I'm not satisfied that they do.

Thinking more widely about what is fair here, I'm also conscious the payment reason Starling says Mr T selected – buying items or property – is perhaps not the most relevant purpose he could have selected. But I don't think it's likely Mr T was attempting to mislead Starling about what he was doing. And in any case, in the circumstances of this scam, it's difficult to say that any warning would have met the criteria set out in the Code. For example – one criteria for a warning being deemed effective under the Code is that it must be impactful, meaning it must reduce the likelihood of the scam succeeding. Given the sophistication of this scam and the lack of adverse information about C at the time of Mr T's payment, it's unclear what Starling could have warned Mr T of that might have prevented him falling victim to the scam.

I therefore think that Starling should refund Mr T's payment to C, as I'm not persuaded it has shown any exceptions to reimbursement apply under the CRM code.

Putting things right

Starling should reimburse Mr T's loss in full, minus the returns he received.

It should also apply 8% simple interest per annum from when it declined Mr T's claim to the date of settlement.

My final decision

I uphold this complaint, Starling Bank Limited should now put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 12 February 2026.

Sophie Mitchell
Ombudsman