

The complaint

Mr B has complained Starling Bank Limited won't refund him for two transactions made using his debit card as a token on his mobile phone.

What happened

In April 2025 Mr B noticed that the balance on his account with Starling was wrong as it was much lower than he believed. He noted four transactions using his card details which he'd not made. Only two transactions for £660 and £500 were processed as two other attempts were declined for shortage of funds.

Mr B complained to Starling. Starling couldn't see any point of compromise for one of Mr B's mobile phones as they believed that device had been used to make these disputed payments.

Unhappy with this outcome, Mr B brought his complaint to the ombudsman service.

Our investigator reviewed the evidence Starling had presented, including device and card ID data around the disputed transactions. She wasn't convinced by this evidence and felt on balance Mr B hadn't made these transactions. She asked Starling to refund Mr B, along with 8% simple interest. Starling had already offered £200 for the trouble Mr B had in lodging his complaint with them. She felt this was fair.

Mr B accepted this outcome. Starling didn't as there was no conclusive point of compromise which had been verified. This complaint has been referred to an ombudsman 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. I'll explain why.

Where there is a dispute about what happened, I have based my decision on the balance of probabilities. In other words, on what I consider is most likely to have happened in the light of the evidence.

It's worth stating that I can choose which weight to place on the different types of evidence I review, including technical evidence, provided by financial institutions along with complainants' persuasive testimony.

When considering what is fair and reasonable, 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 relevant time.

The regulations which are relevant to Mr B's complaint are the Payment Services Regulations 2017 (PSRs). These primarily require banks and financial institutions to refund customers if they didn't make or authorise payments themselves. There are exceptions to

this and that would include if the customer had acted with gross negligence or intent to allow any security details – including the card and PIN, and mobile banking access – to be used by someone else.

Starling has not provided any evidence, as required by the PSRs, to show that Mr B has acted in a grossly negligent manner or with intent.

I don't believe there's sufficient evidence to show that Mr B authorised the two transactions in dispute. I say this because:

- There's no history of Mr B using this merchant to send money. Two of these transactions were rejected because of insufficient funds. If Mr B had been making these transactions, I'd have expected him to either be aware of his available funds or to check the status of his Starling account. Starling has confirmed there were no log-ins by Mr B around this time period. There is no logical explanation for Mr B to have made these transactions taking into account the amount of money in his account. Starling has not suggested Mr B has any history of committing first-party fraud.
- The way the transactions are made – an initial payment, an attempted larger transaction which was declined, then a lower payment followed by another attempted payment which was also declined – suggests to me that the person using Mr B's card details was unaware of the status of his Starling account.
- These transactions were made between 01:58 and 02:49 which is certainly an unusual time for emptying an account, which is essentially what happened here. That said I note Mr B does have a history of making purchases (food deliveries for example) in the early hours of the morning.
- There is evidence that the merchant used was unknown to Mr B and he tried to make contact to raise the dispute directly with them.
- Mr B has been able to provide us with evidence to show that another account of his was compromised around this time. A transaction was attempted to credit the same merchant. This was declined by the bank involved as suspicious.

Starling has stated that they can't see the point of compromise. There is no requirement under the PSRs on me (or them!) to identify exactly what happened here. In this case, I believe there are sufficient scenarios which enable a third party – possibly someone known to Mr B – to have misused his mobile. And that's all I am required to decide.

Starling will need to refund Mr B, along with refunding any overdraft fees Mr B was charged due to these funds being unavailable to him. As our investigator stated, Starling will need to add 8% simple interest from 23 April 2025.

Putting things right

I have also considered the service issues Mr B has raised about how Starling managed his account.

Specifically, I noted they didn't immediately refund Mr B whilst they carried out their investigation. There is a provision within the PSRs that give Starling some leeway on this aspect, but I admit to being surprised they took this stance. An immediate refund would have meant that Mr B's financial commitments would have been met, and no overdraft charges would have been levied.

I can see Mr B is concerned that Starling don't provide a service enabling him to report fraud over the weekend. Financial institutions are allowed to decide what systems best suit them in managing their fraud response. He was also unhappy that Starling didn't identify these transactions as unusual. All I would say is if customers find these issues are something that matters to them, they can make their own decisions about who to bank with.

Starling has offered £200 to Mr B for the problems he had in reporting the fraud. I believe this amount is fair and reasonable. We don't, generally, expect banks to provide compensation to customers just because they are victims of fraud.

My final decision

For the reasons given, my final decision is to instruct Starling Bank Limited to:

- Refund £1,160 to Mr B for the two disputed transactions;
- Add 8% simple interest from 23 April 2025 to the date of settlement;
- Ensure that any overdraft charges charged whilst Mr B was without these funds are refunded; and
- Pay £200 to Mr B for the trouble caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 5 March 2026.

Sandra Quinn
Ombudsman