

The complaint

Mr A complains Starling Bank Limited (“Starling”) won’t refund the money he lost after he fell victim to a scam.

What happened

The facts of this case are well known to both parties, so I don’t intend to repeat them all in detail again here. However, in summary, Mr A fell victim to a scam. He was introduced to an investment opportunity with a company I’ll refer to as “C” by a friend of a friend who had already invested and was receiving returns. C purported to offer investments in social housing schemes and was being promoted by a property investment group Mr A had used before and trusted.

Interested, Mr A reached to C and he was sent an investment brochure. He also visited C’s offices. Mr A says he then checked C was registered on Companies House. In September 2024, he invested £65,000 with C. However, unfortunately, and unbeknown to Mr A at the time, C was actually operating a scam and when Mr A didn’t receive the proposed quarterly returns he’d been promised, he contacted Starling to tell it what had happened and to request a refund of the amount lost.

Starling is a signatory of the Lending Standards Board’s Contingent Reimbursement Model Code (the CRM Code) and it assessed Mr A’s claim in accordance with it. Having done so, it declined to offer Mr A a refund of the amount lost. Starling said it was of the opinion Mr A didn’t have a reasonable basis for believing the investment he was entering into was legitimate and he had prevented it from providing him with an effective scam warning by not informing Starling, when asked, what the payment was for.

Mr A didn’t agree with what Starling said so he brought his complaint to this service.

The investigator who considered the complaint recommended Starling refund Mr A’s total loss plus interest. They said information received by this service confirmed C was more than likely operating as a scam. And, under the CRM Code, Mr A had a reasonable basis for believing he was entering into a legitimate investment opportunity for a number of reasons including the fact that he was introduced by a friend who had already received returns, that the opportunity had been presented to him by a genuine property investment group and he had been able to visit C’s offices to check that they appeared to be operating as they said they were. The investigator also didn’t agree that Mr A had prevented Starling from providing him with an effective scam warning at the time he made the payments either.

Mr A accepted the investigator’s findings but Starling did not. As an informal agreement could not be reached, the complaint has been passed to me for a 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.

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 be good industry practice at the time.

Having done so, I agree with the outcome reached by our investigator, for the same reasons as they have previously set out. I'll explain my reasoning in more detail below.

The CRM Code

As I said above, Starling is a signatory of the Lending Standards Board Contingent Reimbursement Model CRM Code ("CRM Code"), which requires firms to reimburse consumers who have been the victims of APP scams, in all but a limited number of circumstances. It is for Starling to establish that it can rely on the exceptions set out in the CRM Code.

Under the CRM Code, Starling may choose not to reimburse a customer if it can establish that*:

- The customer ignored what the CRM Code refers to as an "Effective Warning" by failing to take appropriate action in response to such an effective warning.
- The customer made payments without having a reasonable basis for believing that:
 - the payee was the person the Customer was expecting to pay;
 - the payment was for genuine goods or services; and/or
 - the person or business with whom they transacted was legitimate

*Further exceptions outlined in the CRM Code do not apply to this case.

Did Starling meet the standards expected of a firm under the CRM Code?

The CRM code says that, where a firm identifies APP scam risks, it should provide "Effective Warnings" to their customers. It sets out that an Effective Warning should enable a customer to understand what actions they need to take to address a risk and the consequences of not doing so. And it says that, as a minimum, an Effective Warning should be understandable, clear, impactful, timely and specific.

In this case, Starling has acknowledged that it failed to provide Mr A with an effective scam warning. However, it has said this is because it was prevented from doing so by Mr A who misled it about the reason for the payment he was making when asked. Starling says this meant it was unable to identify that the payment was being made for the purposes of an investment.

I have reviewed the interactions that took place between Mr A and Starling at the time the payment was made and I don't agree that Mr A intentionally misled Starling as to the reason behind the payment or that he prevented Starling from providing him with an effective warning as Starling has suggested. I'll explain why.

Starling did identify an APP scam risk at the time and it reached out to Mr A to ask him some questions about the payment so it could get a better understanding about the circumstances

surrounding it to ensure Mr A wasn't falling victim to a scam. During this process, Mr A was asked what he was making the payment for. Mr A selected the following option:

"Paying a bill, event, taxes or for a service"

Mr A was then asked what he was paying for. He chose the following option:

"Buying a property (e.g. paying the deposit or balance)"

Mr A was then asked to provide a link to the website of the company he was making the payment to. Mr A provided a link to C's website.

Starling has said Mr A's responses to the above questions were misleading and ultimately prevented it from providing him with an effective scam warning. I don't agree. Whilst I acknowledge that Mr A could've chosen "*investment*" from the dropdown list and this would've been a more accurate answer than the one he chose at the time, I'm satisfied Mr A did think he was making a payment to purchase a number of investment properties. He believed he was paying for a service. So, I don't agree Mr A's responses to Starling should be considered deliberately misleading, it appears that he thought they were accurate at the time.

Mr A was also asked to send Starling a link to the company he was sending the funds to. Mr A provided the link to C's website. So, Mr A was open and honest about exactly where the funds were going. And had Starling reviewed the link sent to it, which presumably was the point of asking for it, it would've been readily apparent that Mr A was sending funds to C – who were offering investments in property. And so, I don't agree that the information entered by Mr A during this manual review process prevented Starling from providing him with an effective scam warning. Mr A told Starling exactly where the funds were going. So, in the particular circumstances of this case, I'm satisfied that Starling failed to meet its obligations under The CRM Code. I'm satisfied Starling ought to have provided Mr A with an effective warning and I don't agree that it was prevented from doing so by Mr A's actions at the time.

Did Mr A have a reasonable basis of belief when making the payments?

I've also thought about the steps Mr A took to reassure himself about the legitimacy of the investment he was entering into and whether it was reasonable for him to believe that the investment was legitimate and proceed with the payments. I'm persuaded Mr A did have a reasonable basis for belief:

- Mr A was introduced to the supposed investment opportunity by a trusted source. He already knew someone who was receiving the proposed returns and the investment was being recommended by a genuine property investment group.
- Mr A was provided with professional-looking investment materials and paperwork, setting out in some detail how the investment would work and generate profits. He was also able to attend C's offices. Mr A says the offices were busy and everyone appeared to be working in line with C's business model.
- At the time Mr A entered into the contracts with C, there wasn't anything significant in the public domain that would have put Mr A on notice that this wasn't a legitimate investment. It appears that C were operating a sophisticated and complex investment scam, that outwardly had all the appearance of a genuine scheme.

Overall, I'm satisfied that Mr A had a reasonable basis for believing that the investment he was entering into was legitimate and I'm not persuaded that him not checking C was registered with the FCA overrides all of the above. Mr A has informed this service that he

wasn't aware that this was a requirement and I see no reason to doubt what he has told us. I also haven't seen any evidence that suggest Starling informed Mr A that this was something he should do. Regardless, there is no requirement in the CRM Code for Mr A to have carried out this type of check in order to be entitled to a refund under the provisions of The CRM Code now. On this basis, I'm satisfied that in these circumstances, Starling has not established that an exception to full reimbursement should be applied. Therefore, Starling needs to refund Mr A his total its losses plus interest.

Putting things right

Starling should now refund Mr A his total outstanding loss.

Starling also needs to pay 8% simple interest per annum on the above from the date the claim was declined or 15 days after the claim was made, whichever is the earliest.

My final decision

My final decision is that I uphold this complaint and direct it to be settled as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 9 March 2026.

Emly Hanley Hayes
Ombudsman