

The complaint

Mr R on behalf of C, complains Starling Bank Limited (“Starling”) declined his application for a business account without an explanation of why he failed its eligibility criteria.

What happened

The details of this complaint are well known by both parties, so I won’t repeat them again here in detail. Instead, I’ll focus on setting out some of the key facts and on giving my reasons for my decision.

Unhappy with Starling’s actions, Mr R complained. Starling didn’t uphold Mr R’s complaint, and he referred it to this service. One of our Investigator’s looked into Mr R’ complaint, and they recommended it was upheld. In summary the key points they made were:

- Starling isn’t obligated to provide Mr R with an explanation as to why he wasn’t eligible for the business account.
- Based on the information it provided, Starling unfairly declined Mr R’s application.
- Mr R would have been caused inconvenience as he had to open an account elsewhere. And Starling’s decision caused Mr R some distress. So, Starling should pay Mr R £100 compensation.

Mr R didn’t respond. Starling disagreed said that it didn’t do anything wrong when declining Mr R’ application due to its obligations. Starling also explained that it wasn’t able to manually review its decision based on its current processes.

As there is no agreement, this complaint has been passed to me to decide.

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.

I’m very aware that I’ve summarised the events in this complaint in far less detail than the parties and I’ve done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I’ve focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there’s something I’ve not mentioned, it isn’t because I’ve ignored it. I’m satisfied I don’t need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I’ve considered everything Mr R and Starling have said before reaching my decision.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from financial businesses as confidential for a number of reasons – for example, if it contains information about other customers, security information or commercially sensitive

information. It's then for me to decide whether it's fair to rely on evidence that only one party has seen. It's not a one-sided rule; either party to a complaint can submit evidence in confidence if they wish to, and we'll then decide if it's fair to rely on it. Here, the information is sensitive and on balance I don't believe it should be disclosed. But it's also clearly material to the issue of whether Starling has treated Mr R fairly. So, I'm persuaded I should take it into account when deciding the outcome of the complaint.

Having done so, I have decided to uphold this complaint. I'll explain why.

As a UK financial business, Starling is strictly regulated and must take certain actions in order to meet its legal and regulatory obligations. That sometimes means Starling may need to decline applications for new accounts as well as restricting, or even closing, an existing account.

Starling has provided an explanation and some information it says supports its decision to decline Mr R' application for a business account. After carefully considering this, I am not satisfied that Starling has provided enough evidence to show it acted fairly, reasonably, and in line with its obligations when declining Mr R' application and saying he hadn't met its eligibility criteria. I say this because based on the information Starling has shared with our service in confidence I'm satisfied that Starling made a mistake when it declined Mr R's application. I note our Investigator has explained to Starling why the information provided is not sufficient. And pointed to Starling misinterpretation of its current obligations.

I also find that Starling gave Mr R inconsistent information about its reasons to decline the application. It is true that Starling has certain constraints to observe but this is very different to what it told Mr R at the point of declining his application. Being told that the account decline was due to Mr R being a risk would no doubt cause alarm and distress. Especially given Mr R's current and previous careers. From what I've seen, this message appears to be an error.

I know Mr R feels strongly about being given a detailed explanation as to why Starling declined his application, but Starling isn't obligated to do so. We would, however, expect Starling to provide this service with a full explanation so we can ensure customers, like Mr R in this case, have been treated fairly. I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Starling has provided basic information for their actions, and while not thorough, it is information I consider should be kept confidential.

Mr R says he believes he has been the victim of an automated algorithm process which rejected his account application. I must highlight it is not within this service's remit to tell a business how to run their processes or procedures such as what systems they use in order for them to be satisfied that a customer meets its criteria for an account. It would be the role of the regulator – the Financial Conduct Authority (FCA), who have the power to instruct Starling to make changes to their policies and procedures, if necessary.

As I have decided to uphold this complaint, I now need to consider what fair compensation would be. I can understand that being declined a business account would have caused Mr R reticence in trying to open another account elsewhere as he was unsure of the reasons for Starling declining his application. I also accept this in of itself would have caused him distress and inconvenience. Given the impact upon Mr R, and the inconvenience of having to potentially open an account with another provider, I'm satisfied £100 is fair compensation.

I've also thought carefully about whether Starling should reconsider a new business account application from Mr R. I know Mr R is keen to bank with Starling but and I'm persuaded that

Mr R always had the open market to turn to for a business account. So, I don't think Starling need to do this.

I do however agree that being given the explanation Mr R was, and as I don't find Starling acted fairly in declining the application based on the information I've been given, he would have been caused some distress and inconvenience. Having carefully weighed this up, I'm satisfied £100 is fair compensation.

My final decision

For the reasons above, I have decided to uphold this complaint. I now direct Starling Bank Limited to pay Mr R £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 24 February 2026.

Sharon Kerrison
Ombudsman