

The complaint

Mr K complains that Starling Bank Limited won't refund money he lost when he was the victim of an investment scam.

Mr K is represented by a firm I'll refer to as 'M'.

What happened

The background to this complaint is well known to both parties and so I'll only refer to some key events here.

In 2021 Mr K fell victim an investment scam with a firm I'll refer to as 'H'. As part of the scam, Mr K purchased crypto from a legitimate provider from his Starling account that he forwarded to H. The relevant transaction is:

Date	Transaction Type	Amount
16 December 2021	Debit card payment	£7,705.69

M complained, on Mr K's behalf, to Starling in April 2024 saying H is now widely accepted to have been a scam – referencing an FCA warning published in March 2021. M said Mr K should be reimbursed under the Contingent Reimbursement Model (CRM) code – noting any warnings provided by Starling were ineffective, and that Mr K was inexperienced and thereby should've been considered vulnerable. M also wanted Starling to pay 8% interest and £1,000 compensation.

Starling didn't uphold the complaint. They said they attempted to get further information from Mr K, directly and via M, to assess the matter but it wasn't received. In the absence of this, Starling said they'd acted appropriately.

The complaint was referred to the Financial Ombudsman. Our Investigator didn't think Starling had to do anything further. In short, he said:

- The CRM code didn't apply to this payment.
- Starling should've identified the payment as unusual or suspicious and carried out additional checks before processing it. But even if they had, he wasn't persuaded this would've prevented Mr K's loss.
- This is because Mr K carried out checks and research on the investment scheme before investing. And even though he found a YouTube video highlighting H as a scam, when he raised questions to H's 'promoters' about this he was reassured by them and invested anyway. Mr K was also introduced to the promoters by a friend that invested herself, along with her mother, and had dealt with the promoters with past investments.

- Mr K had dabbled in trading before but had been 'stung'. Despite this and his initial reservations, the promoters were able to convince Mr K that H was legitimate. And he had a lot of trust in the scheme and the promoters of it.
- The payment went to an account in Mr K's own name and control with a legitimate crypto provider, and so this would've minimised any concerns that Starling might have had during an intervention.
- Mr K continued to communicate with a promoter even after the scam had come to light – demonstrating the trust he had in them.
- Starling couldn't have recovered the funds Mr K lost upon being notified of the scam.

M disagreed with our Investigator. In short, they said:

- They considered our Investigator had downplayed Starling's obligations to protect Mr K. And they thought the conclusion that an intervention by Starling wouldn't have made a difference was speculative and misjudged.
- Starling wasn't required to simply flag suspicious activity, but they had to deliver real-time tailored warnings. And as Mr K had already shown hesitation and doubt about the investment scheme, there was a clear opportunity for Starling's intervention to have shifted his decision making.
- The fact the payment went to a legitimate crypto provider doesn't evidence a legitimate transaction. The ultimate purpose of it was investment now known to be fraudulent. And banks are expected to assess the context, pattern and purpose of high-risk payments – not just the recipient.
- H had been misleadingly presented to Mr K as a non-crypto investment – with the crypto platform being used solely as processing mechanism. And at the time, Mr K was unfamiliar with crypto and didn't understand it. So, he lacked a meaningful understanding of crypto and relied entirely on step-by-step instructions provided to him.
- Mr K had also been 'stung' with forex trading before, not a crypto investment. And he mistakenly believed the two were the same.
- While the Investigator suggests Mr K trusted the scheme, the evidence shows he expressed doubts about it, questioned the promoters multiple times, sought reassurance and validation, and only proceeded after persistent manipulation by people introduced by a trusted friend. This behaviour isn't consistent with someone who made an informed decision.
- Starling failed in their duty of care, breached regulatory expectations, and failed to protect a vulnerable customer in the face of a clearly suspicious, high-risk transaction. Mr K was manipulated and misled, and his behaviour shows doubt, not conviction. His loss could have been avoided had Starling fulfilled their obligations to warn, question, or intervene.

Our Investigator considered what M said, but his position remained the same. The matter 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 sorry that Mr K has been the victim of a scam. I appreciate it is a significant amount of money he has lost. But I must consider whether Starling is responsible for the loss he's suffered. Having done so, and while I realise this isn't the outcome Mr K is hoping for, for similar reasons as our Investigator, I don't think they are. Because of this, I don't think Starling acted unfairly by not refunding the payment. I'll explain why.

Before I do, I want to reassure Mr K that I've considered everything M has submitted in support of his complaint. And so, while I've summarised this complaint in far less detail than what has been provided, I want to stress that no discourtesy is intended by this. If there is a submission I've not addressed; it isn't because I have ignored the point. It's simply because my findings focus on what I consider to be the central issue in this complaint – that being whether Starling is responsible for the loss Mr K has suffered.

This payment isn't covered by the CRM code – as it was a debit card payment made to Mr K's own account, which is excluded. I've therefore considered whether it would otherwise be fair and reasonable to hold Starling responsible for Mr K's loss.

In broad terms, the starting position in law is that a bank is expected to process payments that their customer authorises them to make. It isn't disputed that Mr K authorised the payment from his Starling account. Therefore, under the Payment Services Regulations and the terms of his account, Starling were expected to process Mr K's payment, and he is presumed liable for the loss in the first instance.

However, taking into account the regulatory rules and guidance, relevant codes of practice and good industry practice, there are circumstances where it might be appropriate for Starling to take additional steps or make additional checks before processing a payment to help protect customers from the possibility of financial harm from fraud.

So, the starting point here is whether the instruction given by Mr K to Starling was unusual enough to have expected additional checks to be carried out before the payment was processed.

Mr K's Starling account was opened shortly before the disputed payment. So, there wasn't any prior usage available to Starling for them to determine whether this activity was out of character for Mr K. But I don't think this prevented Starling from assessing whether the activity was suspicious or if it potentially carried a known fraud risk.

Here, the payment was being made to a well-known crypto provider. And there are known fraud risks associated with crypto as scams like this have unfortunately become more prevalent in recent years. I must however consider, at the time of these payments, what was known to Starling and what would've been reasonably expected from them. When doing so, I'm also mindful that a significant majority of crypto purchases made using a Starling account will be legitimate and not related to any kind of fraud.

That said, the FCA and Action Fraud published warnings about crypto scams in mid-2018 and figures published by the latter show that losses suffered to crypto scams have continued to increase since. And so, Starling should've been aware of the potential risks crypto presented when these payments were made. Because of this, considering its value and the payment destination, I think it would've been reasonable for Starling to suspect Mr K might be at risk of financial harm from fraud when he made the £7,705.69 payment. So, I

think Starling should have carried out additional checks before processing it.

But for me to find it fair and reasonable that Starling should refund Mr K requires more than a finding that Starling ought to have intervened. I would need to find not only that Starling failed to intervene where they ought reasonably to have done so - but crucially I'd need to find that but for this failure the subsequent loss would've been avoided.

That latter element concerns causation. A proportionate intervention will not always result in the prevention of a payment. And if I find it more likely than not that such a proportionate intervention by Starling wouldn't have revealed the £7,705.69 was part of a fraud or scam, then I couldn't fairly hold them liable for not having prevented it from being made.

In thinking about this, I've considered what a proportionate intervention by Starling at the relevant time would have constituted. And I think it would've been reasonable for Starling to have spoken with Mr K to better understand the purpose of the payment. At which point however I would like to note that, while there was an awareness of crypto related scams when the payment was made, they weren't as prevalent as they've since become. I'm also mindful that I wouldn't necessarily expect Starling to interrogate their customers about payments they're making. But instead, and in Mr K's circumstances, I think it would've been proportionate for Starling to have undertaken an intervention that broadly covered general scam risks. I think this would've given an appropriate balance between protecting against fraud and not unduly hindering legitimate transactions.

I've therefore thought about what I think the result of such an intervention would most likely have been. At which point, I note that M has argued that our Investigator's conclusion that an intervention from Starling wouldn't have been effective was speculative. And I agree. But, as I've said, I can only fairly hold Starling responsible for Mr K's loss if I consider that but for their failure to intervene the subsequent loss would've been avoided. I cannot know with absolute certainty what would've happened. I therefore must make my decision based on what I think, on balance, is most likely to have happened. When doing this, I've considered all the information available to me.

Having given this careful thought and based on the type of intervention I would reasonably have expected from Starling, I'm not persuaded it would've made a difference or prevented Mr K's loss. This is because:

- I've no reason to think Mr K wouldn't have been open and honest about the purpose of the payment. So, I think he would've likely told Starling that he was making the payment as part of an investment with H.
- I've considered M's point that Mr K lacked any meaningful understanding of crypto and wasn't aware of it being different to forex trading (which he'd had a prior poor trading experience in). But from the conversations Mr K had with the promoter, and as I'm aware that he made two payments totalling £2,500 to another crypto provider two days prior, I'm not convinced by that. Instead, I consider Mr K most likely had some awareness of crypto at the time even if he followed the promoter's instructions on how to use it to fund the investment in H.
- I think it would've been reasonable for Starling to have queried Mr K about the investment opportunity – asking, for example, how he came across it and what checks he had carried out to ensure it was legitimate.
- I think Mr K would've likely reassured Starling he had come across the opportunity from a friend, who he trusted, and that she knew the promoters personally having invested with them in H and in past investments too. And so, the

opportunity hadn't arisen from unsolicited contact, from an online advert or any promotion that had celebrity/public figure endorsement (which can be indicators of a scam).

- Mr K would likely have explained he had spoken with the promoters on multiple occasions, including video calls, for about a month. And that he'd received documentation setting out the details of investment. From this, I think Starling would've likewise been reassured that Mr K hadn't been pressurised to invest in a short period of time. Instead, he'd been given the opportunity to consider whether it was right for him, ask questions and carry out his own research before going ahead.
- Because of the number of conversations Mr K had with the promoters, which he's said he had because he wanted to better understand the investment and had some concerns/queries of how it worked, I think he would've likely been able to articulate to Starling what he was investing in. And although this might have been seen by Starling as being high risk, it wasn't their role to establish the suitability of the investment.
- It would've however been reasonable for Starling to ask Mr K what checks he had carried out on H. In addition to his interactions with the promoters and the documents he received, it seems – from what Mr K has told us – that he did carry out his own checks before ahead going. So, I think he would've reassured Starling of this too.
- It is possible Mr K might have explained he had come across a You Tube video highlighting H as a scam. But if he had, then I think he would've similarly explained that he had discussed this with the promoters and been reassured that it was made by a disgruntled ex-employee. And that he was satisfied from his dealings with the promoters that H was genuine.
- Although Starling might have had some concerns about the investment opportunity, I don't think they would've known Mr K was falling victim to a scam. Arguably, they could've recommended he carried out further checks before going ahead and explained some of the risks associated with crypto. But even if they had, I'm not persuaded that it would've deterred Mr K from making the payment.
- This is because of a combination of the above – the introduction to H from a trusted friend, the professional and helpful experience he'd had interacting with the promoters multiple times over the month, the documentation he received and his own checks (which, while Mr K had found the You Tube video, it seems he didn't find the FCA's warning about H).
- I'm therefore not convinced that, by the point Mr K had decided to make the payment to H, he would've considered H to be anything other than legitimate. Ultimately, I think Mr K had satisfied himself that it was a genuine investment opportunity and made the decision to invest.

I appreciate Mr K was misled by the scammers. But just because Mr K has fallen victim to a scam doesn't mean Starling is responsible for his loss. And here, while I'm sympathetic to Mr K's situation, I don't think Starling would've uncovered the scam – or deterred him from making the payment – through a proportionate intervention. It follows that I cannot fairly conclude they are responsible for Mr K's loss.

I've considered whether, on being alerted to the scam, Starling could've done anything more

to recover Mr K's losses. But I don't think they could.

The only option of recovery would've been via chargeback for the debit card payment, but this didn't have any reasonable prospect of success. This is because the crypto provider provided the service paid for, that being the conversion of funds into crypto (which were forwarded on to H).

I know Mr K will be disappointed by this outcome as he is the innocent victim of a scam. But it would only be fair for me to direct Starling to refund his loss if I thought they were responsible – and I'm not persuaded that this was the case. For the above reasons, I think Starling has acted fairly and so I'm not going to tell them to do anything further.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 7 January 2026.

Daniel O'Dell
Ombudsman