

The complaint

Mr H complains Starling Bank Limited treated him unfairly when it recorded a fraud marker at Cifas¹ and closed his account. He says he experienced a number of difficulties because of what happened.

What happened

I issued a provisional decision on this complaint, asking both parties to let me have any comments before the deadline. Below is a copy of my provisional decision.

Copy of provisional decision.

What happened

Briefly, Mr H held an account with Starling. He received a payment in July 2024 from a third-party through a bank transfer. However, the payment was later identified as being the result of a fraud. Starling restricted the account and asked Mr H to explain why he'd received it and to provide supporting evidence. Mr H explained how the funds had ended up in his account and why he'd then also returned them to the person that had sent them. However, on completing its investigation, Starling decided to record a marker at Cifas and close the account, as it believed he'd been complicit in receiving fraudulent funds.

Mr H found out about the marker after a job offer he'd been given was withdrawn. The company had done financial checks and found the Cifas marker. This all happened in March 2025. Mr H contacted Starling and said that he'd not done anything dishonest to warrant the fraud marker, he submitted again how the payment had come about. Starling reviewed the information but didn't think it had made a mistake in the steps it had taken. Dissatisfied, Mr H contacted us to challenge the decision. He believed his treatment had been unfair and Starling's actions had affected him personally and financially.

One of our investigators gathered further information and concluded Starling shouldn't have recorded the fraud marker with the information it had following its initial investigation, as there wasn't enough to meet the threshold for complicity. He recommended that the marker be removed, and Starling pay Mr H £300 for his trouble and upset, and it also pay Mr H three months' salary for the job he'd been unable to take, because he was satisfied the available information showed the job offer had only been withdrawn because of the fraud marker. The investigator sent Starling copies of correspondence from the company both offering and withdrawing employment.

Starling said it agreed with the investigator's recommendation to remove the fraud marker, but it wished to challenge financial aspects of the redress. It said, it couldn't be sure Mr H would have been in post for three months and there could be multiple factors that could influence this.

¹ A national fraud database.

The investigator noted the response but didn't think it was unreasonable that most people taking up employment would be in situ for three months. He also highlighted the bank hadn't commented on the £300 he'd recommended.

When an agreement couldn't be reached on the compensation amount, the case was put forward for a decision.

What I've provisionally 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 have read and considered everything that's been provided. As an informal dispute resolution service, we are tasked with reaching a fair and reasonable conclusion with the minimum of formality. In doing so, it's not necessary for me to respond to every point made, but to concentrate on what I consider to be the crux of the issue.

The investigator put their outcome letter to the parties (containing their analysis) as to why they considered it was wrong for Starling to record the marker. Starling accepted that recommendation and has also confirmed this issue is no longer in contention. It says the marker has been deleted off Cifas. This means, I will only be considering what level of compensation fairly reflects the difficulties Mr H experienced because of the marker.

I've seen evidence (which was also sent to Starling) that Mr H had a job offer rescinded due to the Cifas marker. I find this evidence satisfactory. The company offering Mr H employment said that they had received an unsatisfactory check on Cifas against Mr H and therefore they were withdrawing the offer of employment. The company concerned is in the financial sector, so pre-employment checks of this type are standard. Given all of this, I'm satisfied Mr H lost out on the job because of the fraud marker. Consequently, it's only right that Starling put this right as far as it's reasonable to.

Mr H's gross annual salary would have been £25,100 according to the information from the company. He's also provided evidence that at the time he was on Universal Credit. The investigator recommended Starling reimburse three months' salary to resolve the complaint, but the bank has asked how we could be satisfied Mr H would have remained in position for this period. I acknowledge it is difficult to be definitive, but I've also taken on board that it isn't uncommon for most people to at least complete an initial period of employment. Also, I've not seen anything persuasive from Starling to support its reasons for declining to pay this redress. It mentions multiple factors but doesn't allude to what these are. Weighing all of this, I don't think three months' is unreasonable when thinking about what's fair to resolve this complaint. However, where my decision differs is that no account was made for income tax and national insurance contributions that would have been payable on monthly earnings.

I've done some calculations and rather than Mr H's take-home pay been £2,091 per month, I think it would be around £1,700 per month. Mr H has confirmed he doesn't opt in to pension contributions and would have been a 20% taxpayer. In addition to this, I need to deduct the fact that he received Universal Credit. This was £933 over the three months. To be clear, the three months would have started at the end of April and ended in July; the start date of the role was 28 April. This amounts to a financial loss of £4,167.

Moving on, there's no question, having an account closed and the fraud marker recorded was upsetting. Mr H has said he did have another bank account, so it wasn't the case that he was left unbanked. However, he has also said he's been unable to get credit, such as a phone contract, and he's suffered significant mental anguish as result of everything that's occurred. He says the job role was something he had been looking forward to starting.

Starling agreed with the investigator's outcome letter to remove the marker, and I think it should have deleted the entry in these circumstances to limit the ongoing impact on Mr H. The investigator also asked Starling about this, however, it didn't respond on this point and the marker was only removed very recently.

Taking all of the above into account, I think Starling should pay Mr H £700 for the impact this matter has had on him. It should also pay the financial loss I've addressed. I think this would be a fair way to resolve the dispute.

My provisional decision

My provisional decision is that I uphold this complaint. I intend to direct Starling Bank Limited to pay Mr H £4,167 for his financial loss and an additional £700 for the distress and inconvenience caused. I think this is a fair way resolve this complaint.

Responses

Mr H responded to say that he accepted my provisional decision. Starling responded to say that it also accepted my decision.

The case has been passed back to me to finalise.

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 pleased both parties have accepted my provisional decision to help bring this complaint to a fair resolution. Therefore, I adopt my provisional decision in full as part of this final decision.

Starling previously confirmed it had already removed the fraud marker, but I'd like it to double check that it's done that on all fraud databases that it may have loaded on. It should also pay the financial redress as set out below.

My final decision

My final decision is that I uphold this complaint. I direct Starling Bank Limited to settle it by paying Mr H £4,167 for his financial loss and an additional £700 for the distress and inconvenience caused. Starling Bank Limited should also check all fraud databases it may have loaded on in relation to the matter, to ensure its fraud entries against Mr H are removed. I think this is a fair way resolve this complaint.

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

Sarita Taylor
Ombudsman