

The complaint

A company, which I'll refer to as F, complain that Starling Bank Limited won't refund the money they say they lost to a scam.

Mr D, who is the director of F, brings this complaint on F's behalf.

What happened

Mr D was told about an investment opportunity with a company, "C", by an agent ("B") he had used previously. In brief, C claimed to offer investments in property units which they said they would be refurbishing and renting out as social housing through councils and housing authorities they held contracts with.

Mr D decided to invest in four units with C on F's behalf. F had already sent the agent (B) a total of £4,500 from the Starling account in May 2024. Based on the correspondence provided between Mr D and B, it appears this was intended as a deposit towards another investment. But B said they could transfer this over to C instead. Mr D then used the Starling account to send B a further £5,000 to be passed on to C – then sent £55,000 to C directly.

F was expecting to receive returns from December 2024 – but these weren't paid. Mr D then saw some social media posts raising further concerns about C. He spoke to B, who explained they themselves had concerns and were investigating what had happened. He used a professional representative to raise a complaint with Starling on F's behalf. The representative argued F should be refunded for their loss under the terms of the Contingent Reimbursement Model (CRM) code, under which victims of Authorised Push Payment (APP) scams should normally be refunded.

Starling didn't agree to refund F. It said it had placed claims about C on hold as the matter was being investigated by the police. Unhappy with this response, F referred the matter to our service.

Our investigator upheld F's complaint. In summary, he wasn't persuaded it was fair for Starling to hold off on giving an answer to F's claim due to the police investigation. He thought it was already clear enough that the payments met the CRM code's definition of an APP scam, and that no exceptions to reimbursement applied. He recommended Starling should refund F's loss – and pay interest on top of this amount to compensate them for the delay in refunding them.

F accepted this outcome, but Starling didn't. It said it had warned Mr D about the scam risk when he made the payments. It says it told him to check the FCA register, which would have shown C weren't regulated – and to get advice from a regulated financial advisor, which he didn't. It also said the high returns promised should have raised doubt. When the investigator explained these points didn't change his view that Starling should refund F, it asked that the matter be escalated to an ombudsman for a final decision.

I then issued my provisional decision. I agreed with the investigator's reasoning about why the payment sent directly to C should be refunded under the CRM code. But I didn't think the payments to B were covered by the code due to the payment journey, and didn't think there were any other reasons why Starling should fairly be held liable for them.

Mr D has responded to accept my provisional findings. Starling has responded to say it doesn't accept them, but hasn't explained why it disagrees.

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.

As I've not received anything further to consider in response to my provisional decision, I see no reason to depart from it. I've decided to uphold this complaint and direct Starling to reimburse F for the payment sent directly to C (with interest) – but not for the payments sent to B. I've explained why I consider this fair below.

Based on Starling's response to the investigator's view, it appears it may now accept that C were a scam and that it wouldn't be fair to hold off on answering the claim while the police investigation is ongoing. But for completeness, I'll address why I agree with the investigator's findings on these points.

Mr D (on behalf of F) authorised the payments. So, the starting position in law is that F is liable for them. But Starling was signatory to the CRM code at the time of the payment – under which firms are generally expected to refund victims of APP scams.

Firms must normally respond to a claim under the CRM code within 15 days. But it appears from Starling's direct response that it sought to decline giving an answer in line with R3(1)(c) of the CRM code, which says:

“if a case is subject to investigation by a statutory body and the outcome might reasonably inform the Firm's decision, the Firm may wait for the outcome of the investigation before making a decision.

While there is an ongoing police investigation into C, the specific details haven't been shared with our service. It's not clear whether any proceedings will concern charges that will have a significant bearing on the issues relevant to this complaint. As Starling is aware, any criminal proceedings that may take place in connection with C will be based on the criminal burden of proof – whereas our service makes decisions on the balance of probabilities. So, it's unclear how or whether the investigation might reasonably inform Starling's decision.

We also don't know how long the investigation will take; it could be months or years. As R3(1)(c) explains, firms can only hold off on giving an answer under the CRM code if the outcome of an ongoing statutory investigation might reasonably inform its decision. In looking at the information we already know about C, and Mr D/F's dealings with them, I'm not persuaded the outcome of the police investigation is likely to have a bearing on this decision.

Overall, I'm satisfied there is already enough to show the payment to C meets the CRM code's definition of an APP scam - and that Starling should have refunded F within 15 days of being notified of their claim. I'll explain why – as well as why I'm persuaded the payments to B aren't covered, despite being satisfied C were operating a scam.

Here is the CRM code's definition of an APP scam:

“Authorised Push Payment scam, that is, a transfer of funds executed across Faster Payments, CHAPS or an internal book transfer, authorised by a Customer in accordance with regulation 67 of the PSRs, where:

- i) The Customer intended to transfer funds to another person, but was instead deceived into transferring the funds to a different person; or*
- ii) The Customer transferred funds to another person for what they believed were legitimate purposes but which were in fact fraudulent.”*

I consider it clear Mr D knew who he was transferring each payment to. So, the key consideration is whether the purpose of the recipient was broadly aligned with F at the time the payments were made – and, if not, whether this was the result of a dishonest deception by the recipient. I've considered separately what this means for the payments sent to B and C respectively.

The payments to B

In addition to the CRM code's definition of an APP scam, it's important to acknowledge that the code also sets out what kind of payment journeys are covered – even where it's clear the payments were made as the result of an APP scam.

DS(1)(b) of the CRM code explains it only applies to customers undertaking payment journeys *“to the point of the first reception of funds in an account held by a receiving Firm (the first generation account). Firms whose accounts are utilised in the onward transmission of APP scam funds are out of scope”*. The code also defines a payment journey as *“ending with the initial reception of the transaction funds in a payee account”*.

For the payments sent to B in May 2024, it's clear they weren't, at the time, intended for C – as they were originally intended for another investment, which Mr D (on F's behalf) hasn't complained to Starling about, and which I've seen no suggestion was fraudulent. So, I don't think these payments meet the definition of an APP scam.

In any event I'm not persuaded the payment journey for the May 2024 payments, nor the September 2024 payment (despite it being clear this was always intended to be sent on to C), is covered by the CRM code. Based on the information provided by Mr D (and his representative) about B's role, it seems likely they were also duped by C; I've seen no suggestion they were complicit in the scam, either from what has been alleged by Mr D or based on the information I've been provided about them. So, it seems their role was to unwittingly pass on the funds. I therefore don't think there was a mismatch in F and B's purpose for these payments at the time they were made. And I think B's role in passing on the funds means the payment journey falls outside the scope of the CRM code.

I have thought more widely about whether there are any other reasons why Starling might fairly be held liable for the loss stemming from these payments. But I don't think Starling had cause for concern about any of these payments – which looked reasonably in-keeping with F's usual account activity. In any event, even if Starling had spoken to Mr D about what he was doing, I don't think it would have been obvious he was at risk from a scam. This was a sophisticated operation, and there weren't any obvious public concerns about C at the time of the payments. So, I can't see Starling missed a reasonable opportunity to uncover and prevent the scam. And given B's role here, I can't see there would have been realistic or fair grounds to recall these payments when Mr D reported the scam in January 2025.

For these reasons, I'm not persuaded Starling is liable for the payments to B.

The payment to C

As this was sent direct to C, I'm satisfied the payment journey is covered. I'm also persuaded it meets the definition of an APP scam.

C held accounts which show around £6,000,000 being spent in a way that appears consistent with property development. But they also received around £20,200,000 from investors. Given C's standard unit price of £13,500, that means they would need to have entered around 1,500 property agreements. But the outgoing payments aren't consistent with C paying for rent, refurbishments and furnishings for this many agreements.

C claimed to hold contracts with local authorities – as they would need to have done to fulfil the investor agreements. But their beneficiary statements show no incoming payments from local authorities or housing providers.

Additionally, several local authorities have confirmed they didn't have a working relationship with C – with one confirming an invoice C used to supposedly demonstrate their working relationship was forged. A director of C was also removed from Companies House due to their identity being stolen; they had no connection to C. This speaks to a dishonest deception by C.

Our service has seen evidence that at least six different units were sold to multiple investors. This comes from complainants providing the individual property addresses they thought their investment was purchasing across around 100 complaints. This information also shows around half of those addresses were in buildings where the owners have confirmed they didn't have a relationship with C.

We've also seen instances where the properties remained derelict after the investment was made or remained under construction when they were supposedly generating an income. All of this makes it seem unlikely C intended to use F's payment for genuine property development investments.

Turning back to C's accounts, we can see around a third of the investment capital wasn't used for the purpose of securing and developing properties to be used for social housing – ranging from cash withdrawals, to payments to individuals involved in operating C, to paying jewellers, restaurants and more. There are further substantial withdrawals and payments which the purpose for is unknown.

Around £440,000 C received *could* be legitimate income, although none of this came from local authorities or social housing providers. But in comparison, £2,500,000 was paid to investors. It's clear this didn't come from genuine income – strongly indicating C were operating a Ponzi scheme.

Overall, there is little to suggest any transactions are consistent with C completing property development for the benefit of investors, and much more to suggest C weren't using investors' funds for the intended purpose. Even if any of the funds C received were used for property development, it seems likely this was done with the intention of encouraging further investment as part of an overall scam. For these reasons, I'm satisfied F's payment to C meets the CRM code's definition of an APP scam – and it's unlikely the outcome of the police investigation will impact this.

The starting position under the code is that firms should refund victims of APP scams – as I've determined F was. However, there are some exceptions under the code which, if applicable, firms can rely on to decline reimbursement.

Of relevance here is that firms can choose not to reimburse a customer if they ignored an effective warning. Or it they made the payment(s) without having a reasonable basis for believing that the payee was the person they were expecting to pay; the payment was for genuine goods or services; or the person or business with whom they transacted was legitimate.

Starling argues it showed “sufficient warnings” for the payment. But in order to decline to refund F for this reason, it would need to show the warnings met the CRM code’s criteria for an effective warning – including being impactful (i.e. positively affecting the likelihood of the scam succeeding). And I don’t think the warnings met that bar.

Starling says it warned Mr D to check the FCA register. But that wouldn’t have been a requirement for the type of investment Mr D understood F were entering. Starling has also highlighted that its warning mentioned about getting financial advice. But it only mentioned this in relation to being new to investing, which Mr D wasn’t. In any event, he was relying on B’s input and research that C seemed legitimate. Overall, I don’t think it has been shown that Mr D ignored an effective warning.

I’m also persuaded Mr D had a reasonable basis for belief when he made these payments. C was registered on Companies House and provided professional-looking documentation and marketing – including being promoted by a company Mr D had used previously. There weren’t obvious public concerns about C (or B) at the time.

I have considered that Mr D was told the returns were essentially guaranteed, and whether this was ‘too good to be true’. But C had an explanation for this – that the scheme was government backed, providing assurance on rents. I can also see from Mr D’s contact with B that they helped reassure him of C’s legitimacy – as a company he knew and had used before, who Mr D was aware had met C’s directors/employees in person at their office. In the overall context of this sophisticated scam, I don’t think it’s unreasonable that he believed C were offering a legitimate investment.

Overall, I don’t think Starling has demonstrated that any exceptions to reimbursement apply under the CRM code. I therefore think it should refund the payment to C.

Putting things right

To put things right, Starling Bank Limited must:

- refund F for the £55,000 payment sent directly to C as part of the scam; and
- pay 8% simple interest per year on this amount, running from 15 days after Mr D raised his scam claim to the date of settlement. This is to compensate F for the loss of use of these funds from the point at which it should have refunded them.

If Starling Bank Limited considers that it’s required by HM Revenue & Customs to deduct any tax from that interest, it should tell Mr D how much it’s taken off. It should also give him a tax deduction certificate if he asks for one, so he can reclaim the tax (on behalf of F) from HM Revenue & Customs if appropriate.

In order to avoid the risk of double recovery, Starling Bank Limited is entitled to take (if it wishes) an assignment of the rights to all future distributions in relation to the scam payment we’re upholding that arise, such as from the police investigation and criminal proceedings, before paying the award.

My final decision

For the reasons given above, my final decision is that I uphold this complaint and direct Starling Bank Limited to put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 8 January 2026.

Rachel Loughlin
Ombudsman