

The complaint

Miss L complains that Starling Bank Limited ('Starling') hasn't refunded the money she lost to an authorised push payment ('APP') investment scam.

What happened

The circumstances of the complaint are well-known to both parties. So, I don't intend to set these out in detail here. However, I'll provide a brief summary of what's happened.

In October 2023, Miss L invested £7,000 with a company, which I'll refer to as 'Company I'. The director of Company I, whom I'll refer to as 'Mr W', told Miss L that her funds would be used to trade fiat currencies and that she could expect a monthly return of around 13%.

In January 2024, Miss L received £20 from Mr W. However, those funds were subsequently returned to Mr W. Miss L didn't receive any further payments from Company I or Mr W and she subsequently became aware that she'd fallen victim to an investment scam.

Miss L referred her complaint to this service after Starling refused to reimburse her loss. Our Investigator considered the complaint and recommended Starling refund Miss L in full, plus interest. Miss L accepted our Investigator's opinion, but Starling didn't agree.

Starling doesn't think it could've prevented Miss L from investing in Company I. It also doesn't think Miss L took reasonable steps to verify Company I was a legitimate investment opportunity before deciding to invest. As a result, Starling doesn't think it should be required to reimburse Miss L's loss.

As an informal agreement couldn't be reached, the 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.

At the time Miss L sent £7,000 to Company I, Starling was signed up to the Lending Standards Board's Contingent Reimbursement Model ('CRM') Code, which required firms to reimburse customers who'd been the victim of APP scams in all but a limited number of circumstances. There are generally two exceptions to reimbursement under the CRM Code, which are that:

- Miss L made the payment without a reasonable basis for believing that Company I was legitimate; and/or
- Miss L ignored what the CRM Code deems to be an '*Effective Warning*'.

And, importantly, when assessing whether it can establish these things, Starling must consider whether they would've had a '*material effect on preventing the APP scam*'.

Did Miss L have a reasonable basis for believing Company I was legitimate?

Miss L met Mr W at a social gathering, to celebrate her father's birthday. Mr W was introduced to Miss L as her father's cousin. Mr W and Miss L's father weren't related; however they had been friends since childhood, and Mr W and Miss L's families had been friendly for many years. Mr W told Miss L that he was an experienced foreign exchange ('forex') trader, and he invited Miss L to visit him at his office to discuss a potential investment in Company I.

Miss L, along with her mother, subsequently attended a meeting with Mr W at his office. Mr W explained to Miss L how Company I operated and made a profit through forex and cryptocurrency trading. Mr W also provided Miss L with a diagram setting this out along with evidence of Company I's successful trading history. Mr W explained that Company I was authorised and regulated by the Financial Conduct Authority ('FCA').

Satisfied that Company I was a legitimate investment opportunity and given the close personal connection between Mr W and Miss L's family, Miss L and her mother both agreed to invest. Miss L signed a contract setting out the terms of her investment with Company I before making a payment of £7,000 to an account which matched Company I's name.

I accept that Miss L did very little in the way of research or checks before agreeing to invest. I also appreciate that the returns she was expecting were high (and to a more experienced investor unrealistic). So, I can understand why Starling doesn't think Miss L had a reasonable basis for believing Company I was a legitimate investment opportunity.

However, I think it's important to recognise that at the time of the payment, Miss L was an inexperienced investor. Mr W was a friend of Miss L's father and she had no reason to suspect he was attempting to defraud her. Miss L's mother was also persuaded to invest with Company I, and I think it's reasonable for an inexperienced investor to trust the advice and actions of a parent, especially when Mr W had known Miss L's family for many years.

I appreciate that Miss L didn't seek to verify that Company I was authorised and regulated by the FCA before investing and if she had checked, she would've discovered this wasn't true. However, as I've explained above, Mr W (a long-time friend of Miss L's father) had told Miss L that Company I had FCA authorisation and Miss L had been given no reason to doubt that was the truth. So, in the circumstances, I don't think it was unreasonable for Miss L not to take this step.

Overall, I'm not persuaded Miss L didn't have a reasonable basis for believing Company I was a legitimate investment opportunity. So, I don't think Starling can fairly rely on this exception to reimbursement under the CRM Code.

Did Miss L ignore an effective warning?

When Miss L made the payment to Company I, Starling provided her with a generic new payee warning, which advised her to verify who she was sending money to. Miss L made the payment in Mr W's presence and from his office. As a result, I wouldn't have expected this warning to have resonated with Miss L at the time, and it wouldn't have had a material effect on preventing the scam. So, this wasn't an effective warning as defined by the CRM Code.

Starling did then ask Miss L some automated questions about the purpose of the payment. Miss L said the payment was being made to a "family member or friend" rather than the more relevant option of "investment". As a result, the remaining questions weren't related to an investment and Miss L wasn't provided with any investment scam warnings.

Under the principles of the CRM Code, an effective warning needs to be, amongst other things, relevant. The warnings Miss L received weren't relevant to her circumstances and so I'm not persuaded Miss L received an effective warning as defined by the CRM Code.

I accept that Miss L didn't give an entirely accurate answer when selecting the payment purpose and that this did make it more difficult for Starling to give an effective investment scam warning. However, given the circumstances leading to the payment (as described above), even if Miss L had received an effective investment scam warning, I don't think this would've had a material effect on preventing the scam, given Mr W's personal connection to her family and her (and her mother's) belief that Company I was a genuine investment opportunity.

I'm not persuaded Starling gave Miss L an effective warning under the CRM Code. And, as an effective warning is unlikely to have had a material effect on preventing the scam, I don't think Starling can fairly rely on this exception to reimbursement under the CRM Code.

There are other exceptions to reimbursement under the CRM Code. However, Starling hasn't argued that any of those other exceptions to reimburse Miss L apply in this case. And I'm not persuaded they apply in Miss L's circumstances. As a result, I think Starling ought to have refunded Miss L under the principles of the CRM Code.

Starling has argued that, given the circumstances of the scam, it couldn't have prevented Miss L's loss. So, Starling thinks it's unfair for it to be held fully responsible for reimbursing Miss L's loss. Whilst it might be the case that Starling couldn't have prevented the scam, that's not a valid reason for Starling to refuse reimbursement under the CRM Code. As a result, I don't agree that Starling can't be held fully responsible for Miss L's loss.

I'm aware that the police are actively investigating Mr W and Company I. It's possible that the police investigation might result in some recoveries for Company I's investors – including Miss L. In order to avoid the risk of double recovery, I think Starling would be entitled to take, if it wishes, an assignment of rights to all future distributions to Miss L under those processes in respect of this investment before paying any redress to Miss L.

Putting things right

To resolve this complaint, Starling should:

- reimburse Miss L's loss, of £7,000, in full; and
- pay interest on the refund, at 8% simple per annum, from 26 July 2024 (15 calendar days *after* the scam was reported to Starling) until the date of settlement.

My final decision

For the reasons explained above, my final decision is that I uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 4 February 2026.

Liam Davies
Ombudsman