

The complaint

Ms T complains that Starling Bank Limited won't refund the money she lost when she was the victim of a scam.

What happened

Ms T had invested in art in 2021, but the company she had invested with ultimately went into administration, and Ms T lost her investment. In 2023 she was contacted by an individual claiming to be involved in the insolvency process, who told her they had recovered her investment, and that she was due a significant sum, but that these funds were being held in escrow and Ms T would need to make various payments to release them, but that ultimately all these funds would be returned to her. Unfortunately, and unknown to Ms T, the people she was dealing with were not legitimate, she was being scammed.

Between 5 October 2023 and 13 May 2024 Ms T made payments totalling £453,122 from her Starling account to various payees on the instruction of the scammer, as well as the insolvency practitioner she also believed she had spoken to someone from the Bank of England about these payments. Various deadlines came and went when Ms T was expecting to receive a payout, but she didn't receive any funds.

On 13 May 2024 Ms T was again expecting to receive the payout of her funds, but was then contacted by someone claiming to be from a high street bank. This person, also a scammer, told Ms T she needed to pay a further £120,000 for a trade licence so her recovered funds could be released. Around this time Ms T appears to have been told by the scammers that two of the payments she had made were not legitimate, so she contacted Starling, at which point the whole story came to light and Starling confirmed she had been the victim of a scam.

But in June 2024 Ms T was contacted again, by another individual claiming to be from the insolvency practitioner, who said the previous person she had dealt with had been sacked, and that they could arrange for her to get some of her money back. However, once again, they told Ms T this required her to pay fees. Ms T made a series of payments, initially from an account held at a different bank (Bank B), and then from her Starling account. In total Ms T made payments totalling £85,780 to this second part of the scam from her Starling account.

By this stage, and having still not received any of her money back, Ms T was extremely distressed, and her family stepped in. They contacted the police, who prompted Ms T to discuss what had happened with her banks. At this stage Ms T raised a second scam claim with Starling.

Starling looked into what had happened, but it didn't feel it was liable for her loss. It said she did not have a reasonable basis for belief that the people she was dealing with were legitimate. It also felt it had given her appropriate warnings which she had ignored, and that Ms T had not been entirely honest with it about what the payments were for. So, Starling declined to refund any of the payments Ms T had made, it did though pay her £200 as it felt it could have provided her with better service regarding her claims. Ms T also raised a scam

claim with Bank B, which did refund her loss. Ms T was unhappy with Starling's response, so she referred her complaint to our service.

Our investigator upheld the complaint in part. They looked at the scam in two parts. For the first part of the scam (payments made between October 2023 and May 2024) they felt that Starling had not provided effective warnings as set out in the Code, and so had not met the standards required of it. However, they also felt that there were red flags that should have suggested to Ms T that all was not as it seemed from the very start of the scam. Therefore, the investigator said that Starling should refund 50% of the money Ms T had lost to this first part of the scam, from the 13th payment onwards, plus interest, as this is the point where they felt Starling should have intervened and could have prevented the scam.

Regarding the second part of the scam, (payments made between July and August 2024) the investigator felt that Ms T's circumstances by that time meant she was particularly vulnerable to this scam. So, as per the Code, they felt that her vulnerability meant she was entitled to a full refund of these payments, plus interest.

Ms T accepted these findings, Starling did not. It has said that because Ms T was not entirely honest about the reason for the payments it was prevented from giving her appropriate warnings. It also says that it nonetheless did give relevant warnings prior to the second part of the scam, but that Ms T still went ahead with the payments. Starling has also suggested that Ms T acted with gross negligence when she made the payments to the second part of the scam.

So, as no agreement could be reached, the matter has been passed to me for review.

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.

The Lending Standards Board Contingent Reimbursement Model (the Code) was a voluntary code which set out a number of circumstances in which firms were required to reimburse customers who have been the victims of certain types of scam, it was in place when Ms T made the payments that are the subject of this complaint. Starling was a signatory to the Code.

The Code required firms to reimburse customers who have been the victim of authorised push payment scams, like the one Ms T fell victim to, in all but a limited number of circumstances. And it is for the firm to establish that one of those exceptions to reimbursement applies.

Under the Code, a firm may choose not to reimburse a customer if it can establish that:

- The customer ignored an effective warning in relation to the payment being made
- The customer made the payment without a reasonable basis for believing that:
 - o the payee was the person the customer was expecting to pay;
 - o the payment was for genuine goods or services; and/or
 - o the person or business with whom they transacted was legitimate

There are further exceptions within the Code, but these don't apply here.

In addition, the Code also requires firms to assess whether a customer was vulnerable to the APP scam they fell victim to at the time it occurred.

I've looked at the two parts of the scam separately, as I think the considerations at each stage are slightly different.

Part 1 of the scam: October 2023 - May 2024

Starling has argued that Ms T didn't act reasonably and should have done more to check who she was paying. And, having thought carefully about this first part of the scam, I agree. I appreciate that there were sophisticated elements to this scam, but there were also a number of things about what was happening and what Ms T was told that I think should have caused her significant concern. Specifically:

- Ms T's initial investment back in 2021 was relatively small, but she was told by the scammers, even at the very start of the scam, that she was due over ten times that initial investment back, this really should have been seen as too good to be true;
- The insolvency practitioner that Ms T believed she was dealing with was not listed as the insolvency practitioner for the failed investment firm and wasn't formally recognised as an insolvency practitioner;
- Ms T was asked to make payments to numerous different payees that didn't have any clear link to the company she believed she was dealing with or the initial investment;
- Ms T had a financial background, and so should have been better able to identify that what she was being asked to do was unusual and not likely to be legitimate.

With this in mind, I don't think Ms T had a reasonable basis for belief when making these payments, and so the starting point is that Starling doesn't have to refund all of the money she lost as a result of these payments.

Even though I don't think Ms T had a reasonable basis for belief when making these payments, she may still be entitled to a refund of some of the money she lost if Starling didn't meet its requirements under the Code – one of which is to provide effective warnings when it identifies a scam risk.

I understand that Starling did provide some written warnings, based on what Ms T had told it the payments were for. I've thought carefully about those warnings, but I don't consider that any of the warnings Ms T saw could be considered an effective warning as defined by the Code.

I am aware that the warnings were tailored to the payment purpose that Ms T selected, and Starling has said she did not choose the most appropriate payment purpose or answer the following questions truthfully. Specifically, it has said she should have chosen 'investment' and that she inaccurately said she had met the person telling her to make the payment face-to-face. Firstly, I would argue that the payment purpose selected – paying a bill or invoice – was the most appropriate given what Ms T believed she was making payments for. But in any case, given the specific nature of the scam that Ms T was a victim of, I don't think written warnings, regardless of the answers Ms T gave, could have been expected to uncover the scam at that stage.

However, I agree with our investigator that by the time of the payment made on 17 November 2023, the activity on Ms T's account had become concerning enough that Starling should have intervened directly to question Ms T in more detail about what she was doing.

And I'm satisfied that this kind of direct intervention would likely have uncovered the scam at that stage. I say this as I've not seen anything to show that Ms T was told to lie to Starling about what she was doing, or been given any kind of cover story to explain these unusual payments she was making. And the nature of the payments Ms T was making, and the circumstances surrounding them, I think would have caused significant concern to Starling, as they did when Ms T did discuss the payments with them later on in the scam. Given that Starling did identify that Ms T was being scammed when it spoke to her at the end of the first part of the scam, I think it is reasonable to say that it could have done the same if it had intervened much earlier, at the time of the payment on 17 November 2023, given that the circumstances of the payments as Ms T understood them were similar at both points in time.

So, I'm not satisfied that Starling intervened appropriately in this first part of the scam, and had it done so I am satisfied it could have prevented Ms T's loss from 17 November 2023 onwards. And so, I think Starling should refund Ms T's loss from 17 November 2023 to 13 May 2024, minus a 50% deduction to account for Ms T's own responsibility for her loss, plus interest from the date of each payment to the date of settlement.

Part two of the scam: July 2024 – August 2024

In May 2024, when Ms T realised she had been the victim of a scam, she had lost over £450,000, this loss had been funded by loans, cashing in her pension, remortgaging her home, and borrowing from friends and family. In June 2024 she was contacted again, by the 'insolvency practitioner' who told her the previous person she had been dealing with had been sacked, but that they could still recover some of her loss. However, once again, Ms T was told she'd need to make payments of various fees to facilitate this partial refund. Starling has said that, in making these payments, when she was aware she had been the victim of a scam, Ms T acted with gross negligence.

However, as noted above, amongst the other requirements set out, the CRM code also requires firms to assess whether a customer was vulnerable to the APP scam they fell victim to at the time it occurred. The relevant sections state:

"A Customer is vulnerable to APP scams if it would not be reasonable to expect that Customer to have protected themselves, at the time of becoming victim of an APP scam, against that particular APP scam, to the extent of the impact they suffered.

This should be assessed on a case-by-case basis.

In these circumstances, the Customer should be reimbursed notwithstanding the provisions in R2(1), and whether or not the Firm had previously identified the Customer as vulnerable."

Thinking about what happened during the first part of the scam, and the events that eventually brought this second part of the scam to light, I'm satisfied that Ms T's actions here are better explained by her being in a particularly vulnerable state, rather than by gross negligence.

The first part of the scam had led to Ms T remortgaging her house, cashing in her pension and investments, and borrowing significant amounts from family and friends. All of those funds had been lost to the scammers, and Ms T was in a position where she owed large amounts of money to various parties, with no clear way of recovering those funds. From what Ms T has told us, I can understand that this left her in a position where she was desperate to do whatever she could to recover some of her losses.

So, when she was contacted again, and told there was a chance she could recover some of that loss, I can understand why she was not in a position to rationally question what she was being told. Ms T was desperate by this stage, she's said she was not sleeping, and was worried she wouldn't be able to pay her staff because she was so far in debt.

So, in these circumstances, and bearing in mind Ms T's mental state by this stage of the scam, I don't think it would be reasonable to expect her to have protected herself against the APP scam she fell victim to. It follows that I think Starling is responsible for reimbursing Ms T for her full losses due to this second part of the scam, under the provisions of the Code, plus interest.

Putting things right

To resolve this complaint Starling should

- Refund 50% of the payments made as a result of part one of the scam from the 17 November 2023 to 13 May 2024 (inclusive) – I calculate this as £209,350
 - o Pay 8% simple interest on this refund, from the date of the payments until the date of settlement
- Refund 100% of the payments made to the scam between 31 July 2024 and 20 August 2024 (inclusive) – totaling £85,780
 - o Pay 8% interest on this refund, from 15 days after Ms T raised her claim about these payments, to the date of settlement.

My final decision

I uphold this complaint. Starling Bank Limited should now put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 19 March 2026.

Sophie Mitchell
Ombudsman