

The complaint

Miss G and Mr S complain Starling Bank Limited won't refund the money they lost when Mr S fell victim to a scam.

What happened

The details of this complaint are well known to both parties. So rather than repeat them all here, I've summarised the events key to my determination.

In November 2025, Mr S was attempting to make a purchase from an online shop and was directed to send his payment of £50 via bank transfer. However, after placing his order, he was told the item he was buying required a prescription – which he didn't have. Mr S then asked to cancel the order but was told he had to pay a £500 fee first.

Mr S then reported to Starling that he had been scammed – but it said it considered the matter a civil dispute. Unhappy with this response, Mr S referred the matter to our service. He said he should be refunded in line with the FPS Reimbursement Rules.

Our investigator thought Starling was wrong to deem the matter a civil dispute rather than a scam. But he still didn't think Starling was liable to refund Mr S under the Reimbursement Rules. Mr S couldn't confirm the item he was purchasing, which the investigator felt left some questions open about whether the matter was covered. But even if it was, he found the payment amount fell within the claim "excess" Starling applies.

Mr S has appealed the investigator's outcome. He says the excess shouldn't be applied due to his vulnerabilities.

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.

Having done so, I've decided not to uphold it. I appreciate this will be disappointing for Mr S, who I'm persuaded was scammed. However, in the circumstances, I don't think it would be fair to direct Starling to reimburse his and Miss G's loss or otherwise compensate them in relation to this complaint.

Under the Payment Services Regulations 2017, Payment Service Providers (PSPs) such as Starling have a duty to act on authorised payment instructions without undue delay. As Mr S authorised this payment, the starting position is therefore that he is liable for it. But as he says he did so due to falling victim to an Authorised Push Payment (APP) scam, there are some further considerations which affect whether Starling might be expected to refund him.

Mr S says his payment should be covered by the FPS Reimbursement Rules, which set out when PSPs are expected to refund victims of APP scams. Starling initially said Mr S's claim wasn't covered by the rules as it was a civil matter rather than a scam. However, based on what I've seen, I agree with our investigator that this was an APP scam. It seems unlikely there was ever an intent to provide the product Mr S sent the payment for, and the request for an additional fee seems like a ruse by a scammer to procure further funds.

However, even where a scam has been established, there are further requirements for whether a payment is "reimbursable" under the rules. One of those is that the purpose of the payment was not unlawful. I don't consider that to have been clearly established here, given the limited information Mr S has been able to provide about what he was buying – and what we have seen about the nature of the online shop he was using.

Regardless, even if this were established, the Reimbursement Rules allow PSPs to deduct an amount ("the excess") of up to £100 to an otherwise reimbursable scam claim. Starling has opted to apply a lower excess of £50. But as Mr S's claim relates to a £50 payment, if the excess is applicable, no reimbursement would be due under the rules.

The Reimbursement Rules do explain an excess can't be applied if the victim met the definition of a "Vulnerable Consumer" at the time of the payment – and their vulnerability "*affected their ability to protect themselves from the scam*".

Under the rules, a Vulnerable Consumer is: "*...someone who, due to their personal circumstances, is especially susceptible to harm – particularly when a firm is not acting with appropriate levels of care.*". The rules explain this term has the same meaning used by the FCA in its "*Guidance for firms on the fair treatment of vulnerable customers*".

Given what we know about Mr S's circumstances at the time, I do think he met some characteristics of vulnerability. However, even if I accept he met the rules' definition of a Vulnerable Consumer, that alone doesn't mean Starling can't apply the excess. This depends on whether Mr S's vulnerability had a material impact on his ability to protect himself from this scam.

I've seen Mr S has explained the impact of his vulnerabilities includes that he processes information literally and can be easily overwhelmed by social engineering. However, looking at what happened here, it doesn't appear the payment he made was the result of social engineering tactics. To an extent, this may have come into play later – when he was asked to make a further payment to cancel his order. However, I'm conscious he didn't proceed to make this payment and so was able to act to avoid harm at this point.

In looking at the emails Mr S has provided between him and the scammer, it also seems he was able to engage with them well. When they provided terms and conditions which they claimed meant he needed to send more money, he was able to cite why he believed he was still entitled to a refund. And he ultimately seems to have identified this was a scam – acting quickly to report the matter to Starling.

More recently, Mr S has said it was actually his partner who realised this was a scam. But I'm conscious of how Mr S engaged with the scammer, and Starling, at the time. I've also looked at what he told us when he first referred his complaint to our service – and this gives the impression it was his decision not to pay the fee and to "immediately" report the matter as fraud to Starling.

I've also looked at what Mr S has provided to us about the impact of his vulnerabilities on his daily living. Particularly looking at what this covers about his ability to make complex budgeting decisions, communicate and read and understand both basic and complex written information, again I'm not persuaded his circumstances meant he was particularly susceptible to harm from this scam.

I'm not persuaded Mr S's personal circumstances meant he failed to identify warning signs that someone else without those characteristics would have. Rather, it seems he was able to identify the scam risk when asked for further payment. It was just that this risk wasn't apparent until after he sent the initial payment. Overall, I'm not persuaded Mr S's circumstances materially affected his ability to protect himself from this scam. And I therefore think the excess can fairly be applied here.

I do appreciate why Mr S was frustrated by Starling's initial response – as I agree it was wrong to deem the matter a civil dispute. However, I don't think this error materially affected its answer, given I've found it isn't liable to refund Mr S under the Reimbursement Rules. In the circumstances, I'm not persuaded any frustration caused by its reasoning for its decision, rather than the answer itself, fairly warrants compensation.

I have also thought more widely about whether there are any other reasons why Starling might fairly hold liability here. However, I'm conscious of its primary duty to process authorised payment instructions. While I would expect it to also be on the lookout for activity that might put its customers at heightened risk at fraud, looking at the nature and value of this payment in amongst Miss G and Mr S's general spending, I'm not persuaded the payment looked so concerning that it was remiss of Starling to process the instructions it received without completing further checks.

I therefore don't think Starling can fairly be held liable for failing to prevent this scam. Nor does it appear to have missed an opportunity to have recovered the loss. It did reach out to the PSP the funds were sent to when Mr S reported the scam, but no funds were returned.

Overall, I don't think Starling made any failings that caused or contributed to Miss G and Mr S's loss – including its considering of their claim the Reimbursement Rules. So, while I do appreciate they have likely been left at a loss due to a scam, I don't think it would be fair for me to direct Starling to reimburse or compensate them.

My final decision

For the reasons given above, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G and Mr S to accept or reject my decision before 30 April 2026.

Rachel Loughlin
Ombudsman