

The complaint

Mrs M complains that Starling Bank Limited won't reimburse funds she paid under coercion.

What happened

As the circumstances of this complaint are well known to both parties, I have summarised them briefly below.

Mrs M obtained a bridging loan from a company I will refer to as Business G. Unfortunately, Mrs M encountered problems with the sale of a home intended to repay that loan. Mrs M says that Business G began pressuring her to make repayments otherwise she was told she would have her home possessed.

On 7 February 2024, Mrs M made a £10,000 payment from her account held at Starling to Business G on the understanding that it would prevent possession proceedings. But after making the payment, Business G defaulted the loan and appointed receivers to take possession of her property.

Mrs M reported this to Starling and asked it to reimburse her under the provisions of the Contingent Reimbursement Model (CRM Code). But after considering her claim, Starling concluded it was not liable for her loss as it was a civil matter between Mrs M and Business G rather than a case of fraud.

Mrs M was unhappy with that response, so she referred her complaint to our service for an independent review. But after considering the evidence provided by all parties, an Investigator concluded that Starling was fair when rejecting the claim on the basis that it was a civil matter between Mrs M and Business G.

Mrs M disagreed with that assessment, so the matter has now 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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

There is no dispute here that Mrs M authorised the transaction in question. And the starting position in law is that she will be held liable for the transaction authorised in the first instance. That is due to Starling's primary obligation to process payments in line with its customer's instructions, as set out in the Payment Services Regulations 2017.

However, Starling was a signatory to the Lending Standards Board's CRM Code at the time the payment was made. Under that Code, firms are expected to reimburse customers who fall victim to fraud, subject to a number of conditions and exceptions.

However, the CRM Code is only relevant if I'm persuaded Mrs M was a victim of fraud. The Code specifically doesn't cover certain types of disputes. It says:

"This Code does not apply to...private civil disputes, such as where a Customer has paid a legitimate supplier for goods, services, or digital content but has not received them, they are defective in some way, or the Customer is otherwise dissatisfied with the supplier".

The CRM Code goes on to define a scam as where:

"The Customer transferred funds to another person for what they believed were legitimate purposes but were in fact fraudulent."

Mrs M has already accepted in her response to our Investigator's view that Business G was a legitimate business. For the avoidance of doubt, I also have found from my own research that Business G is a well-established company with an active online presence. It is also not in dispute that Business G provided the bridging loan that Mrs M had applied for.

However, despite Mrs M's acceptance that Business G is a legitimate business, she continues to assert that she has been victim to fraud. Her issue remains with the specific payment she was requested to make under threat of losing her home.

While I do sympathise with Mrs M's circumstances, and the obvious distress she has faced as a result of this ordeal, I cannot agree with her interpretation of the scope of the CRM Code. Legitimate payments made under threat or coercion do not fall under its scope, much like offences such as theft, robbery and blackmail do not fall under its scope. Fraud is distinctly different, in that there must be a deliberate deception or dishonest act, designed to cause loss to the victim and/or a gain for the perpetrator.

In this case, Mrs M had received a loan from a legitimate business and paid that legitimate business funds in repayment of that debt. While Mrs M may be dissatisfied with the way her debt was enforced by Business G, her payment was not made under false pretences. Therefore, this cannot reasonably be considered fraud.

Mrs M has asked me to look at the wider circumstances of her complaint, including how her loan was brokered, but that isn't my role here. Mrs G's complaint is registered against her bank, and I am not considering the actions or inactions of Business G or her broker. Mrs M has made a claim of fraud against Starling and asked it to reimburse her loss. I am only considering whether Starling's decision to reject her claim was fair and reasonable in the circumstances. And for the reasons I have given above, I do find it was fair. This matter does not fall under the scope of the CRM Code and is a private civil matter between Mrs M and Business G. It therefore follows that Starling has no liability in reimbursing Mrs M's loss.

My final decision

For the reasons I have given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 22 May 2026.

Stephen Westlake
Ombudsman