

The complaint

Ms Y complains that Starling Bank Limited hasn't refunded her after she fell victim to a scam.

What happened

Ms Y received a text message from a number she didn't have saved on her phone. It said, "hi mum, this is my new number. You can save this number my phone and sim are broken. Can you reply when you see this?"

Ms Y immediately believed this to be a text from her son. She's explained how he was travelling abroad at the time and often had issues with losing or breaking phones. But the message was actually from a scammer.

Ms Y confirmed she'd received the message and engaged in some small talk. The scammer went on to say that they'd lost photos, contacts, and banking apps on their phone. Ms Y empathised in response.

The scammer then said, "I wanted to ask you something but I don't want to bother you with it...". Ms Y asked for more details replying, "Bother me".

This is when the scammer made a request for money to be sent. They said they needed to pay for a laptop that had been bought on credit, with a payment of £2,330 due. They told Ms Y they couldn't make the payment themselves, having lost access to their banking apps. Ms Y agreed to send the money and the scammer gave personal account details for the payment to be made.

Once the payment was made the scammer asked for more money to be sent. This is when Ms Y became suspicious, and the scam was revealed. She reported what happened to Starling.

Starling considered whether it ought to refund Ms Y under the Lending Standards Boards' Contingent Reimbursement Model (CRM) Code. It decided not to and said Ms Y hadn't taken reasonable steps to ensure she was speaking to her son on a new number.

Ms Y was unhappy with Starling's response and so brought a complaint to our service. One of our investigators upheld the complaint and said Starling hadn't acted fairly and reasonably in declining the claim. She said Starling should refund Ms Y's loss and pay interest on it at 8% simple per year.

Ms Y accepted but Starling didn't, and so the complaint 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.

I'm upholding Ms Y's complaint and for broadly the same reasons as our investigator.

There's no dispute here that Ms Y authorised the payment to the scammer. And so, as per the Payment Service Regulations (2017), the starting position is that she is responsible for it. But Starling is a signatory to the CRM Code which, broadly speaking, seeks to see the victims of scams reimbursed by their account provider in most circumstances.

The CRM Code does set out some exceptions to reimbursement which a signatory firm can rely on in choosing to decline a refund. Starling has said that one such exception applies in Ms Y's case. It says she made the payment without holding a reasonable basis for believing she was sending money to her son and that the request was genuine. The basis for this is largely grounded in the fact Ms Y didn't check the number she was being contacted on or do anything else to make sure it was her son that had contacted her.

When dealing with scams of this nature, and other types of scams too, it's important to remember that customers aren't going about their lives expecting to be scammed. People don't have their guard constantly up. It's easy to lose sight of that when in a position of dealing with scams every day and where a heightened sense of awareness is present.

The expectation can't be that all details of any interaction ought to be questioned by a customer. That isn't a realistic view of how individuals go about their lives and such an expectation would be asking too much.

Unless there is something within an interaction that clearly seems out of place or unusual, people will often not detect that something might be wrong. Scams like this succeed because fraudsters are adept at exploiting human nature and behaviours.

Ms Y was contacted on a new number by who she believed was her son. It's clear from the messages that she immediately believed it was him, demonstrating the kinds of emotional and sub-conscious responses people make, especially when a family member is involved. That his phone might have become damaged seemed entirely plausible, particularly as she knew he was travelling. And Ms Y has described there is something of a running joke in the family about her son often receiving hand-me-down devices, in part because of breaking and losing them. So it's understandable why the situation felt normal to Ms Y, as it is understandable why she reacted as she did.

What followed, whilst not detailed, appeared to be a normal conversation about needing to borrow some money urgently. This kind of scam is designed to prey on a parent's instinct to help their child and, here, prevent negative financial repercussions. And so, it's fair to say, the rationale or circumstances may not be questioned as much as they otherwise might be. The fraudster is playing on an emotional response that the parent is unlikely to be aware of at the time.

Where there isn't anything within the messages that appears off or unusual, I find it's fair to say that Ms Y held a reasonable basis of belief that she was dealing with, and helping, her son from the outset.

Ms Y has said she has lent her son money before and that he's repaid promptly. So the request wasn't out of the ordinary and she had no reason to be concerned about repayment. Given the nature of the request and the explanation given for the payment I don't think there was anything to put Ms Y on notice that she was dealing with a scammer. The scammer clearly and confidently explained the money was for a laptop that had already been bought and needed to be paid for

What Starling has argued is true. Ms Y might have tried contacting her son by other means or called the number to check it was him. And doing so might well have avoided the scam altogether. But that isn't the test here. It's whether Ms Y's basis for belief was reasonable, and I'm satisfied it was.

Starling has pointed to some features of the scam that it says ought to have stood out as suspicious to Ms Y. One such feature is that the scammer had said the purchase had been made on credit, and so that must have meant buying from a business. But Ms Y was asked to pay a personal account.

I take Starling's point here, but I don't find it to be such an obviously unusual detail that Ms Y should have been on notice something was wrong. It's important to remember here that Ms Y was completely convinced she was dealing with her son. And so relatively small details

like this could fairly and reasonably be missed, especially by someone not well-versed in how scams like this work and the common features of them.

I have thought about all the arguments made by Starling, including that a warning was given to Ms Y, and that the warning was the best it could deliver given the payment purpose selected by her. But I don't find any of the points raised – either individually or cumulatively – lead to a position where Ms Y can't be said to have held a reasonable basis for believing she was helping her son.

With all the circumstances of the complaint in mind I'm satisfied Starling didn't act fairly and reasonably in declining Ms Y's claim under the CRM Code. It ought to have reimbursed her when she raised the claim, and so it is fair and reasonable that it does so now.

Putting things right

On Ms Y's acceptance, Starling should:

- Refund the scam payment in full (£2,330);
- Pay interest on that sum at 8% simple per year, calculated from the date the claim was declined to the date of settlement.

My final decision

I uphold this complaint against Starling Bank Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms Y to accept or reject my decision before 8 April 2024.

Ben Murray
Ombudsman