

The complaint

T, a limited company, has complained Starling Bank Limited won't refund money for a transaction authorised in error.

What happened

Mr C is the director of T. I will refer to both him and T throughout.

In October 2023 Mr C received a notification from Starling to authorise a debit card transaction on T's account. As he was expecting this, he authorised this transaction for £705.41. He immediately realised this wasn't the card payment he was expecting and notified Starling what had happened.

As Mr C had authorised the transaction, Starling wouldn't refund T.

Mr C brought T's complaint to the ombudsman service.

Our investigator agreed with Starling that T had authorised the transaction and therefore didn't have grounds to ask Starling to refund T.

Mr C disagreed with this outcome. He'd had two disputed transactions a few months before which Starling had refunded. He's asked an ombudsman to consider T's complaint.

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 reached a different outcome to our investigator. I'll explain why.

Where there is a dispute about what happened, I have based my decision on the balance of probabilities. In other words, on what I consider is most likely to have happened in the light of the evidence.

When considering what is fair and reasonable, 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 relevant time.

The regulations which are relevant to T's complaint are the Payment Services Regulations 2017 (PSRs). These primarily require banks and financial institutions to refund customers if they didn't make or authorise payments themselves.

To help me come to a decision, I've reviewed the evidence Starling provided as well as what Mr C has told us.

It's worth stating upfront that Mr C doesn't dispute using his Starling app to authorise the transaction. I've reviewed the information Mr C should have seen – based on the evidence Starling has shared – when using the app to authorise the payment. He agrees that he

should have seen the name of the merchant for the disputed transaction at least once but doesn't agree that it would have been more frequently than this. But he still had a limited opportunity to notice what had happened and formally authorised the transaction in error.

Unfortunately the PSRs has limited flexibility about what constitutes authorisation. This means I accept T authorised this transaction and there is no obligation under the PSRs on Starling to refund T.

I don't think there's any doubt this was a payment authorised in error. So I have wondered why Starling did nothing to assist T. The transaction involved a considerable amount of money and there are obligations on banks to assist customers where payments are involved.

Mr C has raised the issue of the Contingent Reimbursement Model code. This doesn't apply to card transactions, but there are card scheme rules to assist banks in disputing transactions. These are the chargeback rules. Obviously these don't allow chargebacks where transactions are properly authorised, as this was, but there is a capacity to dispute transactions where the item purchased was not received or no service was provided.

As far as I can tell there's been no discussion about what T is supposed to have purchased and whether any goods were received. It's now too late for Starling to raise a chargeback on T's behalf under the chargeback rules so I have considered what the chances are of any chargeback to have been successful. Unfortunately there's no way of knowing this for sure but I suspect – on the basis that T's card details were used for some service – this would have been unsuccessful.

I've also questioned Starling about this aspect. Starling disputes any chargeback would have been successful as the transaction was authorised. As stated above, I don't dispute that point, however I am concerned at the lack of support provided to Mr C on T's behalf.

I know Starling believes no payment should be made to T, but I've told them about my concerns their customer service was lacking. Overall I believe a payment of £100 for the inconvenience caused is fair and reasonable.

I appreciate Mr C will think this is minor in comparison to what T has lost but as I've explained the payment was formally authorised.

I considered whether I should complete a provisional decision on this complaint as this outcome differs from our investigator's. However I have been in touch with Starling, and they've been given an opportunity to comment on the idea of providing a payment for customer service so I'm satisfied a provisional decision isn't required.

My final decision

For the reasons given, my final decision is to instruct Starling Bank Limited to pay £100 to T for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 13 June 2024.

Sandra Quinn
Ombudsman