

The complaint

Mr A complains on behalf of his business “A” about the time that Starling Bank Limited (“Starling”) took to release an international payment into its account. The payment was needed to fulfil an order and as a result A almost lost an order and the trust of its client.

What happened

Mr A runs a business “A”. A received an order worth £36,000 from overseas and an advance payment was made on 7 August. Some of the money to satisfy the order needed to be sent to a manufacturer overseas to start the manufacturing. Since A has been operating over the last three years, Mr A says international payments appeared in A’s bank account usually within half an hour. But on this occasion after the money hadn’t appeared for a couple of hours, he contacted Starling requesting information.

Starling said that the payment being an international one could take up to five days to clear and provided Mr A with no further information.

Following this Mr A complained. Starling responded saying that the payment had not yet taken longer to process than it would expect and that it expected to credit the account by 10 August.

Starling requested information regarding the funds from Mr A on 15 August and following Mr A providing the requested information the funds were released the same day.

Mr A complained to Starling that it put a stop on his business without providing any information for an unreasonable amount of time and brought a complaint to this service on A’s behalf. Mr A says the situation has lost clients trust and is worried about the damage to his business in the future. To put things right Mr A wants Starling to send a letter accepting it was at fault and compensation.

Following this Starling reconsidered its position and although it maintains that it was entitled to inspect and hold the funds - which it says it received on 9 August - it agreed it took too long to contact Mr A about this. So on this basis it made an offer of £250 to compensate for the delay.

One of our investigators looked into Mr A’s concerns and reached the conclusion that the account terms and conditions allowed Starling to place payments on hold as reserved in order to inspect the funds and that this is also a regulatory requirement. But they agreed that Starling took too long to contact Mr A and thought the offer of £250 compensation was a fair way to settle the complaint and in-line with what we’d recommend.

Mr A disagreed, he says his daily rate is £220 and that he lost time trying to sort this matter out and having to raise a complaint. Mr A has asked for an ombudsman’s decision.

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.

My role is to look at problems that A has experienced and see if Starling has made a mistake or done something wrong. If it has, we seek to put - if possible - A back in the position it would've been in if the mistakes hadn't happened. And we may award compensation that we think is fair and reasonable.

Starling don't agree that it was wrong to put a hold on the funds so it could inspect them but agree it took too long to contact Mr A about this and offered £250 compensation.

It might be helpful for me to say here that, I don't have the power to tell Starling how it needs to run its business and I can't make Starling change its systems or processes – such as how or when payments are processed. These are commercial decisions and not something for me to get involved with. Nor can I say what procedures Starling needs to have in place to meet its regulatory obligations. We offer an informal dispute resolution service and we have no regulatory or disciplinary role.

That said I don't think it was unreasonable for it to have systems in place – in this case carrying out checks on incoming payments that meet certain criteria - to ensure it meets its regulatory requirements. As I'm sure Mr A understands this is needed not only to protect the banks against criminal activity, but also their customers.

And although I appreciate A hasn't experienced such delays with receiving payments previously – rather they've been received almost immediately. I don't think Starling has acted unfairly or done anything wrong because on this occasion the payment hit its criteria for further checks – such as it being a larger payment from abroad. This is allowed under its terms and conditions and is in-line with its regulatory obligations.

So I don't think Starling acted unreasonably or made a mistake when it put a hold on the payment pending further information.

Starling's systems show the payment settled on 9 August, but it wasn't until 15 August that it sent Mr A a message requesting information about the funds before it would release the payment. Mr A responded shortly after receiving the message providing the information requested and the payment was released.

Starling has already agreed it took too long to contact Mr A about the payment and to request further information – and I agree its communication and service here should've been better. Starling has offered £250 compensation to put this right and overall, I think this is fair.

Mr A disagrees. He says A has lost trust with its clients and time spent trying to sort this matter out. Mr A is concerned this will continue to happen in the future.

But things don't always go smoothly, mistakes happen and sometimes when running a business time needs to be spent on rectifying administrative issues – such as chasing payments. And in this case I can't see A has lost out financially – it didn't lose its order - and although I understand Mr A is concerned that this could happen again, when considering a compensatory award I need to consider what has happened – not what may or may not happen in the future.

So on this basis I think the offer of £250 is fair as although A hasn't suffered any financial loss due to the delay, I think A has suffered some administrative inconvenience.

Mr A on behalf of A should now let us know if he wishes to accept its offer.

My final decision

For the reasons I've explained, I've decided that the £250 compensation offered by Starling Bank Limited to A is a fair way to settle this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask A to accept or reject my decision before 9 February 2024.

Caroline Davies
Ombudsman