

The complaint

Mr S complains that Starling Bank Limited unfairly refused to process his chargeback request for a faulty car.

What happened

In September 2023, Mr S transferred £11,000 from his Starling bank account to a third party seller to buy a car. Mr S subsequently encountered issues with the car which the seller tried to fix but Mr S ended up paying another garage to carry out repairs. Mr S says the seller ignored his attempts to recover the repair costs. So, Mr S asked Starling to claim back the money he spent fixing the car from the seller.

Starling said that as this was a civil dispute, it could not help Mr S. As he was unhappy with this response, Mr S came to the Financial Ombudsman for help.

When our investigator introduced himself, he noted that Mr S felt he had been scammed by the seller. Our investigator explained that Starling can, in certain circumstances, recall funds where a customer has been scammed or reimburse them under the Contingent Reimbursement Model (CRM) Code. However, our investigator didn't think the transaction was fraudulent and the CRM Code wouldn't apply to civil disputes. Our investigator said instead, he would consider whether Starling should have assisted Mr S by raising a chargeback and/or making a claim under Section 75 of the Consumer Credit Act 1974 (CCA).

Having considered the two possible routes for Starling to support Mr S, our investigator didn't uphold the complaint. He explained that as Mr S sent the payment to the seller by bank transfer, there was no card payment involved and therefore it wasn't possible for Starling to raise a chargeback. As Starling had not provided any credit to make the purchase, it was not liable for a section 75 claim either. So, our investigator didn't think it was unfair for Starling to say that this was a civil dispute and that it could not help Mr S recover any money.

Mr S remains unhappy with the investigation outcome. He thinks that Starling should be able to support him regardless of the method of payment.

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 appreciate that I have summarised this complaint in less detail than the parties and that I have done so using my own words. The rules that govern the Financial Ombudsman allow me to take this approach, but this doesn't mean I have not considered everything the parties have given to us. I am sorry to disappoint Mr S but I agree with our investigator that Starling's response was fair.

I understand that Mr S may have felt scammed by the seller but based on the information we

have, the seller appears to be a legitimate used car dealership, registered at Companies House and Mr S received the car that he paid for. It is unfortunate that the car Mr S bought turned out to be faulty but this does not mean that the seller was operating fraudulently.

As Mr S has a civil dispute with the seller, Starling would have had no grounds to recall the money he transferred on the basis of fraudulent activity. And the CRM Code, which provides some protection to victims of authorised push payment scams, would not apply. This is because the Code specifically excludes private civil disputes, such as those where a customer has paid a legitimate supplier for goods, but they are defective in some way. So, there would be no basis under the CRM Code to reimburse Mr S for the costs he has incurred.

This leaves two other options to consider – chargeback and section 75. However, I don't find that either option was available to Starling and Mr S and will explain why below.

Chargebacks can be used by a card issuer to claim money back from a merchant's bank when a customer disputes a transaction. As Mr S paid for the car by bank transfer, not debit or credit card, Starling is correct to say that it could not raise a chargeback on his behalf.

Although Mr S used a loan to fund the purchase of the car, Starling didn't provide the credit – this was obtained through a different lender. Mr S then paid the funds from the loan into his current account with Starling. This means that it is not possible for Mr S to hold Starling liable under section 75 of the CCA for any loss resulting from a breach of contract on the part of the seller.

I have every sympathy with Mr S who has found himself out of pocket after paying for the repairs. It is frustrating that the seller has not responded to his requests for reimbursement of the repair costs, but as Starling has correctly said, this is a civil dispute between Mr S and the seller. For the reasons set out above, I can't find any grounds on which Starling should have intervened to help support Mr S to recover any of the costs he has incurred.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 12 February 2025.

Gemma Bowen
Ombudsman