

The complaint

Mr O complains that Starling Bank Limited has not refunded payments made to a business which he says acts fraudulently and did not provide him with what he paid for.

What happened

Between May and August Mr O made a number of card payments to a business, which I'll refer to as "P", from his account with Starling Bank. P's publicly available information indicates that it deals in digital assets.

Mr O was unhappy with the service he received from P and contacted the bank, seeking a refund of everything he had paid to P. As well as making unspecific allegations about P's operations, he said he had not received the service he had paid for and that he had not received a promised 10% rebate of his deposits and payments.

Starling Bank considered what Mr O had said, but told him that there were no grounds on which it could seek reimbursement from P. That was because the payments had been made to a staged digital wallet, rather than being made directly to P. The card scheme, Mastercard, did not provide for a refund in such circumstances. The bank did acknowledge that it had not handled the matter as well as it could have done and offered Mr O £100 by way of compensation.

Mr O didn't accept the bank's offer and referred the matter to this service. One of our investigators considered what had happened but did not recommend that Mr O's complaint be upheld – for largely the same reasons as Starling Bank had given. Mr O asked that an ombudsman review the case.

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 do not believe that Mr O was tricked or coerced into making payments to P. That is, he authorised the payments, in the expectation of receiving something in return. I have approached Mr O's complaint on the basis that he did not in fact receive what he believes he should have received, although I make no finding on that point.

Starling Bank was not, of course, responsible for ensuring that P provided the service it had agreed to provide. The only basis on which it could potentially intervene to secure a refund for Mr O was under the chargeback scheme.

Where goods or services are paid for with a debit or credit card and a dispute arises, it is sometimes possible to resolve that dispute through the chargeback process. Chargeback is a scheme run by the card schemes – in this case, Mastercard. There is no obligation on a card issuer to make a chargeback request, but we usually take the view that they should do so where there is a reasonable prospect of success.

Both parties to a card payment are bound by the scheme rules. I have therefore considered what Mastercard's rules meant for the likelihood of a successful chargeback request in this case. Mastercard's guidance includes:

Staged Digital Wallet.

• *A transaction to fund a Staged Digital Wallet (SDW) may be charged back if the funds did not appear in the SDW. Chargeback rights are not available for any subsequent purchase of goods or service from an SDW...*

The bank's records show that the payments in this case were made to a SDW – meaning money was transferred from Mr O's account with Starling Bank to a digital wallet before being transferred from that wallet to P.

Chargeback was therefore only available if the payment did not reach the digital wallet; it was not available if, for example, there was a dispute between Mr O and P. The payments did, however, reach the digital wallet. It follows that chargeback was not available in this case. Had Starling Bank made a chargeback request, it was almost certain to fail.

I know that Mr O feels very strongly that the bank ought to take action to address what he considers to be unscrupulous or even fraudulent activity on the part of P. I cannot agree however that it has any obligation to do so; even if it did, that would not affect the outcome of this complaint. In my view, Starling Bank acted fairly in declining Mr O's claim for refunds.

Finally, and for the avoidance of any doubt, I make no comment at all on the actions of P.

My final decision

For these reasons, my final decision is that I do not uphold Mr O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 17 July 2025.

Mike Ingram
Ombudsman