

The complaint

Mr B and Miss C are unhappy that Starling Bank Limited ('Starling') hasn't reimbursed them the money they've lost, to what they believe was an Authorised Push Payment ('APP') scam.

What happened

The background to this complaint is well known to all parties. So, I won't repeat everything again in detail here, but in summary I understand it to be as follows.

Mr B and Miss C used the services of a builder whom I'll refer to going forwards as 'DL'. They made two payments – one in October 2024 and another in November 2024 totalling £7,199.20.

DL visited Mr B and Miss C's property multiple times to discuss the proposed work, providing a quotation for the works – including materials and the services. Following this, Mr B and Miss C proceeded to make a deposit payment in October 2024.

Mr B and Miss C explained work commenced in November 2024 with a visit to the property to inspect the structure. They've explained that DL removed a door, bricked up a doorway, removed a wall and conducted structural checks. However, contact with DL then became sporadic in December 2024, with DL informing them of a personal matter which was the reason for delays. Mr B and Miss C say despite attempts to contact DL, all contact ceased.

Mr B and Miss C say the work to their property hasn't been completed and they are seeking a refund on the payments they made to DL, believing it to be a scam.

Mr B and Miss C raised a scam claim with Starling, but it declined to reimburse them the money they paid, as it considered the matter to be a civil dispute rather than a scam.

Unhappy, Mr B and Miss C brought the matter to our service. One of our Investigator's looked into things, but he didn't uphold the complaint. The payments Mr B and Miss C made were caught by the Faster Payment Scheme (FPS) and the CHAPS Reimbursement Rules - but our investigator explained that the Reimbursement Rules excluded civil disputes. Our Investigator didn't think the evidence suggested DL criminally intended to deceive Mr B and Miss C into making the payments. It followed that he didn't think Starling had acted unfairly in declining their claim under the Reimbursement Rules. Nor did he think there was any other reason why Starling ought to refund Mr B and Miss C's losses. Our Investigator wasn't persuaded that any further questioning by Starling would've likely identified any cause for concern about the payments they were making. He thought it was unlikely that any intervention from Starling would've resulted in them not proceeding with the payments. Mr B and Miss C did not accept the Investigator's findings. They strongly believe they have been scammed, they believe the builder provided incorrect mail and email addresses. They feel the addresses were deliberately incorrect – which was stated on the work agreement. They maintain it constitutes a dishonest act intended to mislead. Mr B and Miss C have highlighted the addresses do not exist and have provided information to show their mail was returned. Mr B and Miss C say they were manipulated by DL into making them believe it was a true builder and that the work that was carried out was not done according to building

regulations and safety considerations – which they say proves DL was pretending to be legitimate builders. They add that this fraudulent course of conduct manipulated them into transferring funds to an unintended person and that they don't believe the funds were used for the intended or agreed purposes (e.g. construction work). Mr B and Miss C also referred to the receiving bank (the bank who received their funds) and say they haven't heard from them and believe that this shows there is something wrong with the account.

Our Investigator considered these points, but it didn't change his overall stance on the matter. He acknowledged the reasons Mr B and Miss C feel the builder deceived them and reiterated that he'd need to see evidence that DL criminally intended to deceive them into making the payments. He acknowledged that there was some evidence to suggest the builder had acted unethically and that they didn't get what they expected but that this didn't mean that DL had scammed them as defined by the rules relevant to the payments they made.

Our investigator further responded to Mr B and Miss C in relation to the aspect they raised around fake physical and email addresses as an act of deception. He acknowledged that the addresses didn't look to be correct, and that the mail they sent to DL was returned to them. However, he explained that we'd need convincing evidence to suggest that DL criminally intended to deceive them into making the payments. In this case, our Investigator didn't think the address issue, in and of itself, was the reason why Mr B and Miss C made the payments. He also didn't think this was enough to suggest DL criminally intended to deceive them into making the payments from the outset – when considering all the other information he'd seen and been told.

Our Investigator explained that he was unable to share information in relation to the receiving account due to Data Protection but did confirm he'd considered the information obtained and that from what he'd seen, it was mostly consistent with the funds being used as intended.

Mr B and Miss C disagreed with the Investigator and remain of the opinion that they have been scammed, and DL has acted with dishonest deception – so had acted fraudulently to gain their funds.

As an agreement hasn't been reached, it has been passed to me for a final 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.

I'm aware that I've summarised this complaint briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here which is whether Starling acted fairly in its answering of Mr B's and Miss C's complaint. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. Firstly, I am sorry to hear of what's happened to Mr B and Miss C – they paid money in good faith and didn't get the level of service they expected and clearly feel let down by DL. I can see they feel strongly about what has happened and understandably so. But having considered everything, I can see no basis on which I can fairly require Starling to refund the money Mr B and Miss C sent.

I recognise that this outcome is not the one Mr B and Miss C were hoping for, and I can understand why they want to try and recover the money they've lost. But having thought about Starling's actions, I am unable to say it has responsibility for refunding the money they've sent. I will now explain why.

In deciding what's fair and reasonable, I'm required to take into account relevant law and regulations; regulatory rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

The starting position in law is that Mr B and Miss C will generally be considered liable for authorised payments. It's accepted that they authorised the payments in dispute and so they are liable for them in the first instance.

However, a relevant consideration in this case is the Faster Payment Scheme – Reimbursement Rules ('Reimbursement Rules').

The Reimbursement Rules, which came into force on 7 October 2024 and apply to all UK-based PSPs, put a requirement on firms to reimburse APP scam payments made via the Faster Payments Scheme. However, the Reimbursement Rules don't apply to all faster payments. The rules have limits on what payments will be covered, and those limits are set out in the wording of the Reimbursement Rules.

The rules state:

"...It must have been made as part of an APP scam (whether to a recipient or for a purpose other than the payer intended);"

An APP scam is defined as:

"...Where a person uses a fraudulent or dishonest act or course of conduct to manipulate, deceive or persuade a Consumer into transferring funds from the Consumer's Relevant account to a Relevant account not controlled by the Consumer, where:

- *The recipient is not who the Consumer intended to pay, or*
- *The payment is not for the purpose the Consumer intended."*

Private civil disputes are also not covered by the Reimbursement Rules. The term private civil dispute is defined in the Reimbursement Rules as:

"A dispute between a Consumer and payee which is a private matter between them for resolution in the civil courts, rather than involving criminal fraud or dishonesty."

Our Investigator wasn't persuaded that what had happened to Mr B and Miss C amounted to an APP scam as defined by the Reimbursement Rules.

Mr B and Miss C disagree with this. They say while partial work was conducted this does not negate the fraudulent nature of DL's actions. They say critical materials were not delivered despite them sending payment for these. They feel this clearly constitutes an act of deception.

Having carefully considered the Reimbursement Rules' definition of an APP scam, I'm persuaded Mr B and Miss C paid who they intended to pay. I acknowledge that Mr B and Miss C say that the fraudulent course of conduct by DL manipulated them into transferring

funds to an unintended person, but I'm afraid I cannot agree. Mr B and Miss C sent the payments to DL, whom was the person they intended to pay. Whilst I recognise their strength of feelings about DL's behaviour and conduct – I'm satisfied they sent their funds to the person they were intending to pay under the Reimbursement Rules' definition.

It then follows that the only part of the definition of an APP scam that could apply relates to the purpose of the payment. That means I need to consider the purpose of the payments made. Mr B and Miss C have explained that the payments they were making was for building works – within the information provided to us, Mr B and Miss C have shared that as the different works were not itemised on the invoice, they do not know what was included in the deposit payment. They said it was a deposit of 20% of the total amount DL invoiced – but added that if they recollect correctly this was mainly for a steel beam. When raising the scam with Starling, Miss C said the second payment made, on the day the works started (27 November 2024), was an additional 40% payment.

I then need to consider the purpose the recipient (here that is DL) had in mind, at the time of the payments, and whether this was broadly in line with what Mr B and Miss C understood to be the purpose of the payments.

While this can be finely balanced, in the circumstances of this case, having reviewed all the testimony, information and evidence provided by both parties, I'm satisfied, on the balance of probabilities, that the intentions and purposes of the payment match here. Mr B and Miss C intended for work to be done to their property, and DL seemingly intended on fulfilling that purpose as he and some other employees did attend Mr B and Miss C's property for two or three days and did carry out some works and checks. They've shared that DL did remove a wall as part of the works and also removed a door and bricked up the doorway. I do acknowledge that Mr B and Miss C have questioned the safety of the works carried out and said that DL was to get building regulation permission for the removal of a wall, which they've shared was not obtained and that materials have not been provided.

I'd like to assure Mr B and Miss C that I don't underestimate their feelings about what has happened. But I have to keep in mind that there are a number of potential reasons (other than an APP scam) for a breakdown in a relationship between two parties and for a dispute to exist. And unfortunately, there are businesses/people (DL) that can fail or be mismanaged such that agreements and agreed goods and services aren't provided. But that doesn't necessarily amount to evidence of an intent to commit an APP scam from the outset.

I've also considered Mr B and Miss C's concerns in relation to the addresses – physical and email – given by DL. I can see their attempt to contact DL by post was not successful, with their correspondence returned - marking the address as incomplete. I accept that the addresses provided by DL are potentially incorrect and that their attempts to contact DL have not been successful. This no doubt has been incredibly frustrating for them. But I'm afraid, I can't safely say this aspect in and of itself, shows a criminal intent by DL from the outset – at the time Mr B and Miss C made the payments. I am in no way saying that Mr B and Miss C has done anything wrong or that they don't have a legitimate grievance against DL. But for me to say Starling would be required to reimburse them - the definition of an APP scam as set out within the Reimbursement Rules needs to be met.

As set out above, the definition is that "... *The payment is not for the purpose the Consumer intended.*" Here Mr B and Miss C made the payments, with the purpose of those payments being for works carried out on their home. While DL didn't provided materials and didn't gain building regulation approval, DL did complete some of the works. And while there appears to be some ethical and questionable practices by DL – overall, the purpose that Mr B and Miss C made the payments and the purpose DL received the payments matched.

Further, whilst I am unable to share details about a third party and the nature of their relationship with their bank, I've reviewed information provided by the bank which operated DL's account. The activity on the account seems broadly consistent with the funds being used as intended and the bank doesn't appear to have had any concerns about how the account was being operated.

I accept Mr B and Miss C have lost out as a result of what's happened, and they have been badly let down and deceived by DL. And it has led to Mr B and Miss C having to seek other trades persons to carry out the works to their property (I recognise Mr B and Miss C have said they've had to highly reduce the works they wanted to have done now for budget reasons). But I'm mindful that incomplete work or work to a sub-standard, whilst that may have other implications in law, do not in and of itself, mean that Mr B and Miss C have been the victim of an APP scam and that Starling is liable for their losses as a result.

I'd like to assure Mr B and Miss C that I sympathise with what has happened here, but I can only consider the actions of the bank in responding to Mr B's and Miss C's claim for reimbursement. I have no powers to investigate DL. Looking at what Starling was required to do under the rules, it is simply the case that I don't think this scenario meets the Reimbursement Rules' definition of an APP scam.

As Starling didn't need to consider this as an APP scam, then it didn't need to go on to seek the recovery of any funds from DL. I'm also not persuaded, in this case, that there was anything else Starling could have done to prevent the loss here. Our Investigator thought it was unlikely that any intervention from Starling would've resulted in Mr B and Miss C not proceeding with the payments. And he wasn't persuaded that any further questioning by Starling would've likely identified any cause for concern about the payments they were making.

Given the specific circumstances in this case, I agree with this position. Even had Starling intervened and asked Mr B and Miss C questions about the payments they were making (I note there was a written warning provided for the first payment), I don't think Starling would've had concerns about the payments based on what I think Mr B and Miss C likely would've shared at the time. I say this because at the time the payments were made, Mr B and Miss C were happy with what they'd seen of DL – he'd attended their property numerous times, provided a detailed quote and answered their queries in relation to his sole trader status. They also received insurance certificates for DL. Further, as I think Starling has correctly considered this matter as a civil dispute, I don't find it needed to do more than it did.

For completeness, as the payments weren't made by debit or credit card, the various schemes available that offer protection to those methods of payments weren't available to Starling or Mr B and Miss C either.

I know this will come as a disappointment to Mr B and Miss C and I am sorry to have to deliver this news to them. But, for the reasons I have explained, I cannot fairly say that Starling should fairly and reasonably be held responsible for refunding them the money they've paid, and it is therefore something that needs to be resolved between the two parties through alternative methods. I appreciate Mr B and Miss C want to try and find contact details for DL so they can possibly pursue him and recover their funds or be refunded. Should Mr B and Miss C seek to pursue DL through legal action they should seek the relevant advice before doing so – albeit I do note that they have indicated difficulty with this due to being unable to get in contact with DL.

My final decision

For the reasons explained, 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 B and Miss C to accept or reject my decision before 12 January 2026.

Staci Rowland
Ombudsman