

The complaint

Mrs B complains about Modulr FS Limited ("Modulr"). She says that Modulr failed to protect her from a scam and would like it to refund her the money she has lost.

What happened

Both parties are aware of the events surrounding this complaint so I will only summarise them briefly.

Mrs B made two payments for Web services in June 2024 these were card payments both of which were over £4,000. I will call the Web services company "D". The payments went via an Authorised Payment Institution that I will call C, and then were sent to D.

Mrs B says that D did not provide the service that she paid for. Mrs B raised a complaint with Modulr as she believes that it should refund the payments in question. In response, Modulr raised a chargeback with C.

C defended the chargeback arguing that it had done what the transaction was for, which was to forward the funds from itself to D. Modulr then declined Mrs B's complaint. Unhappy with this outcome, Mrs B brought her complaint to this Service.

Our Investigator looked into things and they did not think that Modulr did anything wrong. Mrs B did not agree with this.

As an informal agreement could not be reached, the complaint 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.

Mrs B has written at some length about the issues surrounding this case. I may not comment on everything she has told us, nor every individual point raised. I want to reassure both parties though that this doesn't mean I consider things unimportant, nor that I haven't reviewed everything. While I've carefully thought about all of the information on the case, I'm going to focus on what I consider the crux of this complaint and the key facts. This reflects the informal nature of our service.

It isn't in dispute that Mrs B authorised the payments she made to D via C. Because of this, the starting position – in line with the Payment Services Regulations (PSR's) 2017 – is that she is liable for the transactions.

In broad terms, the starting position is that a payment service provider is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. But there are circumstances when it might be fair and reasonable for a firm to reimburse a customer, even when they have authorised a payment.

In this instance, there are two main issues for me to consider. Firstly, should Modulr have intervened and asked questions about the payments, and if it should've, would that have uncovered that Mrs B was being scammed. Secondly, could Modulr have recovered the funds via other means.

Based on the bank statements that I have been provided, I think that two large payments made to a new payee in quick succession was unusual for Mrs B's account. So I think that Modulr should have intervened and asked questions about the payments that were being made.

But, even if Modulr had asked the type of questions I would've expected it to have asked, I'm not satisfied that it would've prevented Mrs B from making the payments or prevented her loss.

I say this because, all of the information available about D at the time of the payments, suggested that this was a legitimate investment.

D is a UK registered limited company since 1998 and all of the documentation that Mrs B received looked professional. It has a professional looking website and I haven't seen any negative information that would've been available that suggested this was a scam.

So, even if Modulr had asked open probing questions, I not satisfied that they would've been concerned by the information Mrs B would've given them. On that basis, I don't think Modulr acted unreasonably in processing Mrs B's payment instructions, and I'm not satisfied that they could've prevented her loss.

I will now consider whether Modulr could have recovered the funds in question.

I have considered whether Mrs B should receive a refund under the Contingent Reimbursement Model ("CRM"), but the transactions in question were card payments, and card payments are not covered by the CRM. I have also thought about whether the funds could have been recovered by a chargeback. I can see that Modulr did attempt a chargeback, but the claim was declined by C.

C, who Mrs B's payments went to, responded to the chargeback and defended it. This was on the grounds that it was a payment processor and the service requested – collection of the payment from Mrs B and sending it on to the beneficiary's account – was provided. I note that Mrs B has said that that she did not receive the service that she paid for from D but the only party Modulr could raise a chargeback with was C as this is where the funds went first. So C could defend the chargeback by simply showing it had done what it was supposed to do forwarding the funds from Mrs B to D. I should also add that Modulr could not raise a claim or chargeback directly with D. So I don't think that Modulr could have recovered the funds.

I'm really sorry to disappoint Mrs B, as I know she's lost a significant amount of money. But I'm not satisfied that I can fairly ask Modulr to reimburse her for her loss based on the evidence that is available.

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 Mrs B to accept or reject my decision before 28 October 2025.

Charlie Newton
Ombudsman