

The complaint

Ms M complains that Starling Bank Limited won't refund the money she lost when she was the victim of what she feels was a scam.

What happened

In late 2024, Ms M was looking to get some building work done at her property. She was recommended an engineering company by someone at her work. And, after speaking to the company about providing architectural drawings for the work she wanted to do, she made a payment to it of £700 from her Starling account.

Unfortunately, after she made the payment, Ms M says she never received the drawings. Her relationship and communication with the company then broke down and the company stopped responding to her. Ms M then reported the payment she had made to Starling as a scam and asked it to refund the money she had lost.

Starling investigated but said the engineering company she had paid appeared to be a legitimate business. So it considered this to be a civil dispute, rather than a scam, and didn't agree to refund the payment she had made. Ms M wasn't satisfied with Starling's response, so referred a complaint to our service.

One of our investigators looked at the complaint. They didn't think there was sufficient evidence to show a scam had taken place here. So they didn't think Starling should have to refund the payment Ms M had made. Ms M disagreed with our investigator, so the complaint has been passed to me.

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.

In broad terms, the starting position in law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations and the terms and conditions of the customer's account. However, where the customer made the payment as a consequence of the actions of a fraudster, it may sometimes be fair and reasonable for the bank to reimburse the customer even though they authorised the payment.

The Payment Systems Regulator introduced the APP Scam Reimbursement ("ASR") rules on 7 October 2024 to reimburse consumers who are the victims of APP scams in certain circumstances. However, the rules only apply where the customer has been the victim of an APP scam, which the rules define 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”*

The rules also specifically outline that private civil disputes are not covered. And a private civil dispute is defined in the 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.”

In its published policy statement PS23/3, the Payment Systems Regulator gave further guidance:

“Civil disputes do not meet our definition of an APP fraud as the customer has not been deceived [...] The law protects consumer rights when purchasing goods and services, including through the Consumer Rights Act.”

It also provided an example of a civil dispute:

“...such as where a customer has paid a legitimate supplier for goods or services but has not received them, they are defective in some way, or the customer is otherwise dissatisfied with the supplier.”

So in order to determine whether Ms M has been the victim of a scam as defined in the ASR rules, I need to consider whether the payment was made for the purpose she intended and then, if it wasn't, whether this was the result of fraud or dishonesty on the part of the engineering company.

I've thought very carefully about this and I think it's a finely balanced matter in this case. But where the evidence available is unclear or inconclusive, I must make my decision on what I think is more likely to have happened, based on the evidence I do have.

I appreciate that Ms M has said she hasn't received the architectural drawings she paid the engineering company for. But companies can fail to provide services they have agreed to carry out for a number of reasons, which don't necessarily mean they were operating a scam. So I don't think this, by itself, is enough to say the engineering company never intended to provide the drawings and was operating a scam here.

Ms M has said the engineering company was recommended to her by someone at her work. But I wouldn't expect someone operating a scam to be able to arrange this kind of personal recommendation.

The engineering company has also been listed on the government's register of limited companies and filing accounts for a number of years before the payment Ms M made here, which I wouldn't necessarily expect of a company intending to operate a scam.

And the bank the payment was made to has told us it hasn't received any other scam reports against the account and doesn't have any concerns about the activity on the account. But scammers usually target a number of people at once, in order to make as much money as possible before the scam is uncovered. So I'd expect to see other scam reports against the same account around the same time if the engineering company was operating a scam.

So I'm not persuaded the available evidence is sufficient to safely conclude that the purpose the engineering company intended for this payment was different than the purpose Ms M intended, or that the payment was not made for the purpose Ms M intended. I think it's likely

both Ms M's and the engineering company's intended purpose for the payment was the same – to pay for the agreed work to be carried out – but that other factors ultimately meant the work wasn't completed.

And so I think Starling has acted reasonably in saying the circumstances here don't meet the definition of a scam from the ASR rules, and in not agreeing to refund the money Ms M lost from this payment.

I also don't think there are any other ground on which it would be fair and reasonable to require Starling to refund the payment Ms M made here.

I sympathise with the position Ms M has found herself in and I recognise she has paid for a service she did not receive and that my decision will come as a disappointment to her. I'm also in no way saying she did anything wrong or that she doesn't have a legitimate grievance against the engineering company. But I can only look at Starling's responsibilities here and, for the reasons I've explained above, I don't think it would be fair to hold Starling responsible for the money she has lost.

My final decision

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 5 December 2025.

Alan Millward
Ombudsman