

The complaint

Mr M complains about the way Starling Bank Limited handled a claim he made in respect of a transaction made with his debit card.

What happened

Mr M purchased an item for £50 from a private online seller. He says the seller didn't provide him with the goods he paid for.

As a result, Mr M raised a dispute for refund of the payment through Starling. Mr M says he provided Starling with evidence of the scam, screenshots of the sellers listing, proof of the payment, and a copy of his conversations with the seller where they refused to deliver the item.

Despite providing evidence, Mr M says that Starling wrongly refused to process a chargeback – stating that the transaction was a money transfer, when it was actually a card transaction. He adds that Starling didn't investigate the dispute appropriately and it didn't provide any reasonable justification for rejecting his claim.

To put things right, Mr M says he wants Starling to process his chargeback request and refund him the £50. He also wants Starling to acknowledge its failure to handle his claim correctly.

Starling responded to Mr M's complaint about the declined chargeback claim. It said that it hadn't found any evidence of fraud. It said that the receiving bank was the merchant in this case, and once the funds had been sent onto the recipient, the MasterCard rules say that the merchant has fulfilled their obligation, and Starling has no chargeback rights.

An Investigator considered what both parties had said, but they didn't uphold Mr M's complaint. They explained that in this instance, the merchant was the payment provider. And because the payment provider had carried out the transfer of funds to the seller, the merchant had provided the service. So they didn't think Starling had acted unfairly or unreasonably in declining to proceed with Mr M's chargeback claim.

Mr M didn't agree with the Investigator's view. In summary he said:

- He made a card transaction and not a money transfer.
- He is entitled to a refund under regulation 76 of the Payment Services Regulations 2017 (PSR's).
- Under regulation 77 of the PSR's, the burden of proof is on Starling to prove the payment was authorised.
- He refers to the Consumer Rights Act 2015 (CRA).
- The MasterCard chargeback rules should apply in his case.

Because an agreement couldn't be reached, the complaint was passed to me to decide on the matter.

I previously issued my provisional decision on this case. While it was my intention to come to the same outcome as the Investigator, I provided additional reasoning for my outcome. Because of this, I wanted to give both parties the chance to respond with anything else they wanted me to consider before I came to my more formal outcome on the matter.

I have copied my provisional findings below, which also form part of my final decision.

"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having considered all of the evidence available to me I don't intend to uphold Mr M's complaint. I appreciate this will come as a disappointment to him; however, I will explain my reasons for this below.

I'm sorry to have read of the issues Mr M has had with the seller. However, as Starling aren't the seller of the goods, I can only consider whether it acted fairly and reasonably in light of its role as the finance provider.

In deciding if Starling has acted fairly and reasonably, I have thought about the ways it could have helped Mr M get a refund for the goods he didn't receive. In this case, given that Mr M paid for the goods using his Starling debit card, I consider the chargeback process to be relevant.

The chargeback process provides a way for the card issuer – in this case Starling – to help a customer claim a full or partial refund of the amount they paid on their card, if certain things go wrong with what they've purchased.

The process is overseen by the card scheme – in this case, MasterCard. Card schemes set out various rules covering things such as what sort of scenarios are eligible for chargeback, the kind of evidence required, and the timescales for a chargeback to be raised.

Generally speaking, it is good practice for a card issuer to attempt a chargeback where the right exists and there's some prospect of success. That said, they're not guaranteed to be successful, and a consumer is not able to demand that their card issuer attempt one. A chargeback can be defended too; the party which received the payment can resist a chargeback attempt. If neither party concedes then, ultimately, the card scheme itself can be asked to rule on the dispute in a process called arbitration.

The main crux of Mr M's complaint here is that Starling didn't attempt or raise a chargeback on his behalf. So, I have considered what both parties have said about the chargeback along with the wider evidence about the scheme rules to decide if Starling acted fairly and reasonably in handling the claim.

Chargebacks can only be raised for reasons specified by the card scheme. If a particular dispute doesn't fall neatly within one of those reasons, then it may not be a suitable dispute to raise via a chargeback. Having considered the reasons for which a chargeback can be raised under MasterCard's rules, I can't see a reason code that would apply to Mr M's dispute. And I'll go on to explain why.

When Mr M sent the money to the seller, it was sent via a firm who I'll refer to as M. M essentially provided a money remittance service to receive the payment from Mr M and send this onto the seller.

Mr M's dispute here is with the seller - they haven't sent the goods he purchased - but in this scenario, Mr M paid M; not the seller. As such, any chargeback raised would only ever be

against M, but given M provided the service it was supposed to - and wasn't responsible for the goods - I don't think a chargeback had much, if any, prospect of success.

I understand that Mr M has made reference to the payment being made by card and not a transfer of funds. Even if I were to accept that Mr M's payment went straight to the account of the seller via card payment, I still don't think it likely a chargeback would have been successful. I say this because the chargeback rules refer to what types of disputes can and can't be referred. The rules state:

"Cardholder Dispute chargeback must not be submitted for any of the following:

- Payment Transactions and MoneySend Payment Transactions...."*

Given that the transaction Mr M made was via a mechanism for sending money to individuals (i.e. the option to "Pay friends"), I think Mr M's payment would be viewed by the card scheme as a 'Payment Transaction', and therefore ineligible for chargeback protections that would apply for situations such as where the goods aren't received or are defective. A Payment Transaction is defined as being a transaction that transfers funds to an account, which is what could be argued has happened in this case. As the rules specifically set out that Payment Transactions can't be considered for chargeback, I find it unlikely Mr M's claim would have had prospect of success if considered in this way too. The definition of a Payment Transaction (as set out in the Mastercard Rules) doesn't exclude payments made to an account by way of debit card.

With all of the above in mind, I don't find that Starling has acted unfairly or unreasonably in how it has handled Mr M's chargeback claim. For the reasons I've explained, I don't think it likely the claim would have had much prospect of success, if indeed it was even a chargeback that Starling could have submitted.

I have thought about the comments Mr M has made in reference to the PSR's and the CRA. Neither of these points change the outcome here. I say this because Starling is required to take into account the MasterCard rules when deciding whether to process a chargeback – while some of the rules do consider elements of the CRA, they are specifically set out in the rules. And for the reasons I've already explained, I don't think Mr M's claim would likely have been successful.

I don't think article 76 and 77 of the PSR's apply in Mr M's case either, again they don't form part of the chargeback rules, but even if I was to consider this as a separate matter, the payment Mr M made wasn't unauthorised – he authorised the payment, as confirmed by the message exchange he had with the seller, he just didn't receive the goods he paid for.

There are of course responsibilities on firms to monitor for signs their customers might be falling victim to scams, as Mr M alleges is the case here. But given the relatively low value of the transaction, I don't think it unreasonable that Starling didn't flag it for further checks and make an attempt to question Mr M about the purchase at the time or provide a warning. The Payment Services Regulator also introduced some mandatory reimbursement rules in October 2024, that provide refunds for fraud in certain scenarios, but the scheme doesn't cover card payments (like the disputed transaction here). So again, I don't find it unreasonable that Starling didn't go down this route to refund Mr M.

I would like to offer my sympathies to Mr M. I appreciate that he'll find my view on his complaint disappointing - I can understand why. He has lost out on the goods he purchased, which would undoubtedly feel unfair to him. In reaching my conclusion, I don't wish in any way to downplay or disregard the situation Mr M is in. But being independent means, I have

to take a step back and consider what both parties have said. And having done so, for the reasons I've explained, I can't find that Starling has done anything wrong".

Mr M responded to the provisional decision and didn't agree with the outcome. I have summarised his main points below:

- The transaction was a card payment and not a money transfer.
- He referred again to the PSR's, CRA, FCA Principles, MasterCard chargeback rules. He says that these protections exist to provide protection to consumers and provide a remedy when goods purchased aren't received.
- There was no warning on M's webpage that card protections wouldn't apply to the transaction. He adds that this omission is material to his decision to proceed with the transaction. He adds that if Starling or M are able to retrospectively recharacterise the payment to avoid liability, consumers are denied the protection the law intends.
- He says that Starling should have still attempted a chargeback for him, given that he was able to provide evidence that he didn't receive the goods he purchased.

Starling didn't respond by the deadline, so I've assumed it has nothing further to add.

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.

Having considered all of the available evidence again, I've decided not to uphold Mr M's complaint, for much of the same reasons as set out in my provisional decision. I'm of the view that most of Mr M's response to the provisional decision has already been answered as part of my provisional findings – he has reiterated points he had made previously. And so I don't intend to cover these points off again.

I think it's important to firstly explain I've read and taken into account all of the information provided by both parties, in reaching my decision. I say this as I'm aware I've summarised Mr M's complaint in less detail than he has. If I've not reflected something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless I think it's relevant to the crux of the complaint.

My provisional findings accept that the transaction Mr M has made wasn't a money transfer. To be clear, I'm satisfied that he made the transfer of funds to the recipient using his card details – and not a sort code and account number. For the reasons set out in my provisional findings, this doesn't change the outcome of the case.

I can understand why Mr M feels let down that he has lost out by not receiving the goods he paid for. As I said, there are certain obligations on firms to protect consumers from fraud or scams. And there's also specific legislation, rules and regulations which can protect consumers in some situations too. But they don't apply to every type of situation, and firms aren't responsible for every situation that might occur. For the reasons I've already explained in my provisional findings, I don't find that Starling has acted unfairly in not providing Mr M with a refund when taking into account these things.

Mr M states that M's website doesn't say that card protections aren't in place for a transaction completed in this way. Having considered the information available on M's website, the facility to transfer money in this way, is intended to *"Use it to request or send*

money to friends and family, split a bill, chip in for a present or reimburse someone". It doesn't appear that the use of the facility is intended to pay someone privately for goods or services. But in any event, for the reasons I've already explained in my provisional findings, a chargeback would have had little prospect of success. Whether information on M's website about card protection is or isn't on its website doesn't change this. While I accept that Mr M may have decided to make the payment using a different way if he'd have known this, I can't fairly conclude that this is something Starling is responsible for.

The transaction Mr M made hasn't been retrospectively recategorised. I'm not sure why Mr M thinks that it has, because he hasn't provided any more detail on this. I suspect what he's saying here is that he didn't make a transfer of money using BACS or CHAPS (which would typically require a sort code and account number). But for the reasons explained in the provisional decision, this doesn't make a difference to the outcome.

Starling doesn't have to process a chargeback – especially when it has little prospect of success. I accept that Mr M has provided evidence to suggest he didn't receive the goods he purchased – I don't think this is in dispute. But it doesn't automatically mean that a chargeback would be successful in those circumstances. I've already explained why I don't think Starling did anything wrong in how it handled Mr M's chargeback claim.

I can understand why Mr M is disappointed with the outcome of his complaint. But being independent means, I have to take a step back and consider all the evidence I've seen impartially. Having done so, I can't fairly find that Starling has done anything wrong.

My final decision

For the reasons set out above, I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 13 November 2025.

Sophie Wilkinson
Ombudsman