

## **The complaint**

C, a limited company, complains that Starling Bank Limited have declined to refund them funds they say they lost as a result of a scam. They'd like the funds returned to them,

C is represented by Mr L, a director.

## **What happened**

The background to this complaint is well known to both parties, and largely not in dispute, so I will mention it only briefly here. In March 2024 Mr L entered into an agreement with a company I'll refer to as D, to renovate his garden and build an office. The expectation was that the work would be completed before early July 2024. The costs were estimated to be approximately £48,000.

However, before the end of the deadline D ceased work on the project. But this point Mr L had paid D over £63,000 through C's Starling account between February and May 2024. But there remained significant work to be done.

Mr L believed D had never intended to complete the works, and thought he'd been scammed. He reported this to his local police and trading standards. He also asked Starling to reimburse C for their losses under the Lending Standard Boards Contingent Reimbursement Model (CRM) code. However, Starling considered that this was a civil dispute between C and D, and so it wasn't covered by the CRM code.

Dissatisfied with this answer Mr L referred C's complaint to our service. One of our investigators looked into what happened but didn't think Starling needed to do anything further. He wasn't persuaded that D had intended to defraud Mr L, and as such Starling were reasonable to decline to refund under the CRM code.

Mr L disagreed on behalf of C. He asked wanted this recognised as a potential criminal matter involving fraudulent misrepresentation. He provided details of cases involving builders being prosecuted, and legal cases involving fraudulent misrepresentation. But this didn't change the investigators mind. As no agreement could be reached, the complaint has been passed to me to decide.

## **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 deciding what's fair and reasonable in all circumstances of this complaint, I've taken into account the relevant laws and regulations; regulators rules; guidance and industry standards; codes of practice; and what I consider to have been good industry practice at the time.

Mr L has provided detailed information on the timeline and works carried out, but I have only provided a brief summary. No discourtesy is intended by this, rather it is to reflect our

service's remit as an informal alternative to the court system. But I'd like to assure both parties I have read and reviewed all the evidence submitted in reaching my conclusion. If I haven't mentioned something in particular it's not because I've failed to take it on board or consider it. It's that I do not see that I need to, to reach a reasonable outcome.

In broad terms the starting position in law is that a bank like Starling is expected to process payment instructions that a customer authorises it to make, in accordance with the Payment Services Regulations 2017 and the terms and conditions of the customer's account. Here there's no dispute that the payments from C's account were duly authorised by Mr L, and I've seen no reason why Starling should have prevented them at the time.

Starling were a signatory to the CRM code which required firms to reimburse customers who had been the victim of Authorised Push Payment (APP) scams in all but a limited set of circumstances. The relevant part of the CRM code definition of an APP scam requires that the payment was made to "*another person for what they believed were legitimate purposes but which were in fact fraudulent*".

The Code also explains that it does not apply to "*private civil disputes, such as where a Customer has paid a legitimate supplier for goods, services, or digital content but has not received them, they are defective in some way, or the Customer is otherwise dissatisfied with the supplier*".

Here Starling have reached the conclusion that this is likely a private civil dispute between C and D. Having reviewed the available evidence, I'm persuaded this is a reasonable conclusion for them to have reached. I appreciate this will be disappointing to Mr L, but I'll explain why.

The key question for me to consider is whether D set out with the intention of defrauding C. Mr L initially employed D to carry out garden clearance works. He's said that at the time D had good reviews. These clearing works were completed. And during these works there were discussions about carrying out the larger renovation works. I see that initially there doesn't appear to be any attempt by D to mislead Mr L into what the payments were for. D certainly comes across as a legitimate business.

D commenced the works of the rest of the garden and home office, based on the agreed plans. I've seen evidence that work was carried out, and D remained in contact with Mr L. The invoices and payments all correspond to the agreed upon works. I understand that Mr L is incredibly disappointed with the quality of work, and the rate at which the work progressed. And there was clearly work still outstanding. But this isn't in itself an indication that D were intending to defraud C. There are many reasons a legitimate business can't perform a contract, and it isn't always because they never intended to. I don't see that there's persuasive evidence that at the point Mr L made the payments from C's account that D had deliberately misrepresented their ability or willingness to carry out the work.

The evidence shows that D were still carrying out works several weeks after the last payment had been sent, which suggests to me that there was a legitimate intention of carrying out the works. I've also seen that they showed a willingness to carry on with the works after the relationship broke down at the end of June 2024. There was still equipment on site, that it would seem unlikely D or their subcontractors would willingly leave behind. And small amounts of funds were returned by D in August and September 2024, which would seem unusual to do if the intent was to defraud from the outset.

I'm not persuaded based on the evidence available that it's more likely than not that D fraudulently misrepresented their intent to carry out the works when the payments were made. I have considered Mr L's evidence from Trading Standards and the police, as well as

his comments about other customers of D experiencing similar issues. The police ultimately decided not to pursue the matter, and I can't comment on the experiences of third parties. And I'm not dismissing Mr L's concerns about the quality of the work carried out.

But turning to the definitions within the CRM code, I don't find that this appears to be APP fraud. The payments were made for work to be carried out, and D was willing to do so. The events closely resemble the description of a private civil dispute. So, on that basis it's not unreasonable for Starling to have declined to reimburse C under the CRM code.

Should new material evidence become available at a later date then Mr L may be able to ask Starling to reconsider C's claim. But based on the evidence available to me, Starling don't need to do anything further.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 11 December 2025.

Thom Bennett  
**Ombudsman**