

The complaint

Mrs C was a sole trader, trading as I. She complains that PayrNet Limited won't reimburse funds she says she lost to fraud.

What happened

As the circumstances of this complaint are well known to both parties, I have summarised them briefly below.

In early 2025, Mrs C employed the services of a company I will refer to as 'Business S' to assist her with marketing and automation. On 10 February 2025, Mrs C made two payments from I's account, held with PayrNet, to Business S for the purpose of that arrangement.

Business S was unable to fulfil its contractual obligations and so Mrs C requested a refund of the money she had paid for its services. But a representative of Business S refused that refund request, stating no such clause existed in their contract.

Mrs C, believing she had been the victim of fraud, raised a claim against PayrNet asking that it reimburse the funds she had lost. But after considering her claim, PayrNet found that it was not liable. In summary, it concluded that the matter was a private civil dispute between Mrs C and Business S rather than an instance of fraud.

Mrs C was unhappy with that response, so she referred her complaint to this service for an independent review. An Investigator considered the evidence available but agreed with PayrNet's position that it was unlikely Mrs C had been the victim of fraud. As such, they agreed that PayrNet wasn't liable to reimburse her loss.

Mrs C disagreed with that assessment, so the matter has now 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 the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

There is no dispute here that Mrs C authorised the transactions in question. And the starting position in law is that she will be held liable for the transactions authorised in the first instance. That is due to PayrNet's primary obligation to process payments in line with its customer's instructions, as set out in the Payment Services Regulations 2017.

However, a relevant consideration in this case is the Reimbursement Rules which came into force on 7 October 2024 and apply to all UK-based payment service providers.

The Reimbursement Rules put a requirement on firms to reimburse authorised push

payments (APP)—where the payer has been a victim of fraud—that were processed via the Faster Payments Scheme, in all but very limited circumstances.

And the Reimbursement Rules set out the requirements for a payment to be covered. They 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 further 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 not covered by the Reimbursement Rules. The term 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.”

PayrNet argues that this matter is a private civil dispute, whereas Mrs C argues it is an APP scam. I must therefore decide on the balance of probabilities which I find to be the more likely.

From the evidence I have reviewed, I’m persuaded that Business S was likely a legitimate business. It holds a long-standing registration on Companies House and, other than Mrs C’s own experience, seems to have relatively positive reviews online with no other allegations of fraudulent practice apparent. I have also had sight of information relating to Business S’s bank account, where Mrs C’s payment was made. And this shows no concerning behaviour and appears to be being used for its intended purpose.

While Business S does appear to be a legitimate business, Mrs C asserts that in the circumstances of her complaint its representative misrepresented its ownership of software, attempted to coerce her into further payments and lacked the knowledge and expertise to fulfil its contractual obligations.

Many of the allegations Mrs C has made would not be considered fraud, such as pressure to make further payments and a lacking of sufficient knowledge and expertise to carry out the services paid for. Fraud is distinctly different from these allegations, in that there must be convincing evidence that the person requesting payment deliberately deceived or was dishonest about the purpose of that payment, with the goal of causing a loss to the payer and/or a gain for themselves.

Here, Business S was operating legitimately and appears to have been intent on carrying out the services paid for, as can be evidenced in the setup of accounts and software with third-party businesses, for example. Mrs C has made reference to misrepresentations regarding the ownership of software that was used as part of these services. But I do not share her characterisation of this being a misrepresentation, as there is no clear indication in the evidence I have seen that Business S specifically claimed ownership of this.

I do understand Mrs C's strength of feeling in this matter and why she feels so aggrieved by Business S's actions, or lack of. It is clear she has been subjected to poor business practice, unprofessionalism and has experienced financial and reputational damage to her business. But in order for me to hold PayrNet liable for the loss Mrs C has suffered, I must be satisfied that her circumstances meet the definition of an APP scam, as set out in the Reimbursement Rules, rather than the definition of a private civil dispute.

Having considered the evidence available, and for the reasons I have set out above, I do find in favour of PayrNet that this does align more with the definition of a private civil dispute. It therefore follows that PayrNet did act fairly when rejecting Mrs C's claim on that basis.

My final decision

For the reasons I have given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask I to accept or reject my decision before 25 May 2026.

Stephen Westlake
Ombudsman