# British AI startup Builder.ai files for bankruptcy amid fraud allegations and financial collapse



Once hailed as a rising star in the artificial intelligence sector, British tech startup Builder.ai has filed for bankruptcy, marking a dramatic fall for a company that was valued at $1.5 billion merely months prior. Backed by major investors such as Microsoft and the Qatar Investment Authority (QIA), Builder.ai is now under scrutiny by both UK and US authorities following allegations of inflated financial statements and misleading claims about its technological capabilities.

The crisis at Builder.ai became apparent when creditor Viola Credit seized $37 million from the company’s accounts, a move prompted by alleged breaches of loan terms involving a $50 million loan issued in 2023. This seizure drastically reduced Builder.ai’s available funds to just $5 million, which remains stuck in Indian accounts due to currency transfer restrictions, as explained by CEO Manpreet Ratia. The situation intensified with news that most employees have been laid off, a reflection of the company’s escalating financial woes.

Builder.ai aimed to revolutionise the software development landscape, boasting its ability to generate custom applications through AI in mere days or weeks. Their platform was marketed as capable of producing production-ready code with minimal human intervention. However, an investigation led by Bloomberg painted a starkly different picture, revealing that Builder.ai had relied extensively on a network of over 700 human engineers contracted from Indian tech company VerSe Innovation. Rather than the advertised AI-driven creation, the development of custom applications involved substantial manual work based on pre-existing templates.

In an even more troubling revelation, allegations surfaced regarding “round-tripping” transactions between Builder.ai and VerSe, in which both companies reportedly billed each other for nearly identical amounts to create the facade of commercial activity and inflated revenue. Sources indicate that Builder.ai may have falsely claimed about $60 million in revenue from these transactions, with funds exchanged often resulting in no real goods or services being delivered. This has raised serious questions about the authenticity of financial figures presented to investors.

While VerSe cofounder Umang Bedi has strongly denied the accusations, labelling them as “absolutely baseless and false,” the ongoing investigation suggests that significant gaps exist between Builder.ai’s promises and their actual output. The company recently acknowledged that it would have to revise its 2024 revenue forecasts downwards by an astonishing 300%, a stark admission that followed inquiries triggered by former employees. This evaluation led Builder.ai to hire auditors to assess its financial records from the past two years, an essential step toward transparency amid growing concerns regarding its financial integrity.

These events echo skepticism regarding Builder.ai’s actual technological prowess, which has been voiced since at least 2019. A report from the Wall Street Journal then indicated that internally, many viewed the company's operations as “all engineer, no AI.” Despite these red flags, sizeable investments continued to pour in, and Builder.ai maintained its image as a formidable AI disruptor—until the recent financial scrutiny exposed underlying issues.

The collapse of Builder.ai signals a shift in the landscape for AI startups, raising critical questions about accountability and due diligence in a field often characterised by exuberant investments and lofty claims. With ongoing investigations and a restructuring process under Ratia's leadership, the company finds itself at a pivotal moment. As it grapples with its recent failures and aims for recovery, Builder.ai serves as a striking cautionary tale at the intersection of hype, technology, and financial reality.

### 📌 Reference Map:

* Paragraph 1 – [[1]](https://slguardian.org/ai-startup-collapses-amid-allegations-of-revenue-fraud-and-fake-tech-claims/), [[4]](https://www.ft.com/content/11afc46c-b435-489d-a9f1-134ad0c00d25)
* Paragraph 2 – [[1]](https://slguardian.org/ai-startup-collapses-amid-allegations-of-revenue-fraud-and-fake-tech-claims/), [[3]](https://www.ft.com/content/f7b5c14f-bdb0-4ce2-8353-44710ac4536d), [[5]](https://www.ft.com/content/7ff3c5fc-e390-4ca8-9c7d-11fd56ab7f6f)
* Paragraph 3 – [[2]](https://www.ft.com/content/9fdb4e2b-93ea-436d-92e5-fa76ee786caa), [[6]](https://ph.investing.com/news/stock-market-news/builderai-revises-sales-figures-and-initiates-audit--bloomberg-93CH-1745943)
* Paragraph 4 – [[1]](https://slguardian.org/ai-startup-collapses-amid-allegations-of-revenue-fraud-and-fake-tech-claims/), [[5]](https://www.ft.com/content/7ff3c5fc-e390-4ca8-9c7d-11fd56ab7f6f), [[7]](https://www.pymnts.com/business/2025/builder-ai-announces-third-party-audit-after-allegations-of-inflated-sales-figures/)
* Paragraph 5 – [[2]](https://www.ft.com/content/9fdb4e2b-93ea-436d-92e5-fa76ee786caa), [[3]](https://www.ft.com/content/f7b5c14f-bdb0-4ce2-8353-44710ac4536d)
* Paragraph 6 – [[1]](https://slguardian.org/ai-startup-collapses-amid-allegations-of-revenue-fraud-and-fake-tech-claims/), [[2]](https://www.ft.com/content/9fdb4e2b-93ea-436d-92e5-fa76ee786caa), [[5]](https://www.ft.com/content/7ff3c5fc-e390-4ca8-9c7d-11fd56ab7f6f)
* Paragraph 7 – [[1]](https://slguardian.org/ai-startup-collapses-amid-allegations-of-revenue-fraud-and-fake-tech-claims/), [[3]](https://www.ft.com/content/f7b5c14f-bdb0-4ce2-8353-44710ac4536d), [[4]](https://www.ft.com/content/11afc46c-b435-489d-a9f1-134ad0c00d25)

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://slguardian.org/ai-startup-collapses-amid-allegations-of-revenue-fraud-and-fake-tech-claims/> - Please view link - unable to able to access data
2. <https://www.ft.com/content/9fdb4e2b-93ea-436d-92e5-fa76ee786caa> - Builder.ai, a UK-based tech startup backed by Microsoft and Qatar's sovereign wealth fund, has entered insolvency proceedings following financial mismanagement and leadership issues. The company, which once claimed it could simplify app and website development through AI, informed employees of the bankruptcy filing during a company-wide call. The main unit, Engineer.ai Corporation, will appoint an administrator. Problems surfaced when revenues were restated and financial issues linked to previous leadership emerged. Founder Sachin Dev Duggal had stepped down as CEO but retained a board role. His past was marred by legal controversies, including an Indian investigation where he claimed to be merely a witness.
3. <https://www.ft.com/content/f7b5c14f-bdb0-4ce2-8353-44710ac4536d> - Builder.ai, a Microsoft-backed app-creating tech start-up, has revealed it had to restate its 2023 revenues to $140 million due to issues with resellers in the Middle East not meeting their promises. The company also lowered its forecasted revenue for the second half of 2024 by 25%. New CEO Manpreet Ratia acknowledged past problems under the leadership of founder Sachin Dev Duggal, who stepped down but retains a role on the board. Ratia appointed BDO for the company's first group-level audit for 2023-2027, following scrutiny over previously unverified accounts. Despite reducing its global workforce by 270 people, Ratia remains optimistic about the company's future, focusing on restructuring and enhancing successful ventures.
4. <https://www.ft.com/content/11afc46c-b435-489d-a9f1-134ad0c00d25> - Builder.ai, a UK-based tech start-up, has been making waves with its use of artificial intelligence in app development, securing significant investments from major firms like Microsoft and the Qatar Investment Authority. Founded by Sachin Dev Duggal, the company was recently valued at over $1 billion. However, Duggal's career has been marred by legal disputes and challenges, including charges from Indian authorities related to past business dealings and other allegations of financial misconduct during his time at Nivio, a prior venture. Despite these issues, Builder.ai has continued to attract investment and partners by positioning itself as a leader in AI-driven software development. The company's success is tempered by internal criticisms, such as high staff turnover and disputes over its service quality. Moving forward, Duggal and Builder.ai aim to convert their innovative promise into tangible and reliable business solutions amidst their ongoing legal and operational challenges.
5. <https://www.ft.com/content/7ff3c5fc-e390-4ca8-9c7d-11fd56ab7f6f> - Sachin Dev Duggal and Saurabh Dhoot, entrepreneurs behind the UK-based tech start-up Builder.ai, are implicated in Indian criminal investigations. Duggal is a suspect in a money laundering case linked to Videocon, an Indian company, and denies any wrongdoing, claiming procedural irregularities. Dhoot is accused of loan fraud in a conspiracy involving Videocon and ICICI Bank. While Dhoot resigned from Builder.ai in 2022 and the allegations do not pertain directly to Builder.ai, they potentially impact the start-up's leadership. Despite these controversies, Builder.ai received $250mn in funding in 2023, with backing from significant investors, and remains supportive of Duggal.
6. <https://ph.investing.com/news/stock-market-news/builderai-revises-sales-figures-and-initiates-audit--bloomberg-93CH-1745943> - Builder.ai, a London-based artificial intelligence startup backed by Microsoft Corp and the Qatar Investment Authority, has revised its sales figures downward and initiated an audit of its accounts from the past two years, according to Bloomberg, citing the company's CEO. This move follows concerns raised by former employees that the company had inflated its sales figures. The company, which has secured over $450 million in funding, reduced its revenue forecasts for the second half of 2024 by approximately 25%. This adjustment was made after certain sales channels failed to materialize, according to the newly appointed CEO, Manpreet Ratia. The company confirmed this adjustment in response to inquiries from Bloomberg News regarding the sales correction.
7. <https://www.pymnts.com/business/2025/builder-ai-announces-third-party-audit-after-allegations-of-inflated-sales-figures/> - Artificial intelligence (AI) startup Builder.ai reportedly hired two of the Big Four auditing firms to go through its finances from 2023 and 2024. The company announced the audit after lowering its revenue estimates for the second half of 2024 by 25% and after unnamed former employees alleged that it inflated sales figures, Bloomberg reported Monday (March 31). Manpreet Ratia, who became CEO of Builder.ai on Feb. 27, told Bloomberg that the company is working to make sure it has its “house in order” and that the discrepancies in the sale reporting could be due to discounts the company provides to customers. “For me to come out and say, ‘This is inaccurate’ — I don’t think I’m at the stage to do that,” Ratia said, per the report. “When the audit report comes out, it will tell me everything.” Builder.ai expects the full audit to be completed by this summer, according to the report. A company spokesperson told Bloomberg that Builder.ai has strengthened its internal policies and governance processes and that “while challenges can arise in any company, what matters most is how they are addressed,” per the report. The company’s recent CEO transition was unrelated to the revenue adjustments, the spokesperson said in the report. When announcing the appointment of Ratia as the company’s CEO on Feb. 27, Builder.ai said in a press release that the move was aimed at driving the company’s next phase of growth by focusing on innovation and operational excellence. The company added that founder Sachin Dev Duggal will continue to serve on the board and as “founder and chief wizard.” Ratia said in the release: “My focus will be on ensuring that we scale effectively, execute with operational excellence, and continue to drive value for our customers, employees and investors.” Builder.ai’s AI-powered composable software platform helps companies develop apps at “a fraction of the cost and time of traditional software development,” the release said.