

The complaint

C, a limited company complains that Stripe Payments UK Limited allowed several large card payments to be processed and then charged back from C's account.

C wants Stripe to refund the chargebacks and the associated fees.

C's complaint is brought by a director of C, Mr V.

What happened

Stripe is a payment service provider and offer customers the ability to accept payments for goods and services.

C holds an account with Stripe and in July 2021, five customer payments were disputed as fraudulent because the cardholders didn't recognise the payments. Each of the chargebacks were decided in favour of the banks' customers.

C is unhappy that Stripe allowed it to charge credit card payments without address verification turned on as a default setting, so it wants Stripe to refund the chargebacks as well as the fees.

Our investigator didn't recommend that C's complaint be upheld. She was satisfied that Stripe carried out the relevant checks for each transaction. She thought Stripe attempted to defend the chargebacks after C provided evidence.

Our investigator explained that the customer's bank, rather than Stripe, decides whether the chargeback should be successful or not. She thought that Stripe's terms and conditions meant it was fair to charge fees associated with the chargebacks. Overall, our investigator didn't think Stripe made a mistake so didn't ask it to take any action in response to C's complaint.

C says it wants an ombudsman to decide its complaint and doesn't think it's appropriate for Stripe to charge fees for the refunded transactions.

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.

I appreciate that I've summarised this complaint in less detail than the parties have and I've done so using my own words. The rules that govern this service allow me to do so. But this doesn't mean that I've not considered everything the parties have given to us.

As our investigator explained, Stripe as payment processor doesn't hold the role of defending a chargeback – the bank is responsible for this. Instead, Stripe's role is to provide evidence from its customer – in this case C – so that it can put forward a defence to the chargeback. I'm satisfied that Stripe did this.

In C's case, it appears that the genuine cardholder for each transaction didn't authorise the payment to C. Without evidence that the genuine cardholders had authorised the payments, the banks involved could not have successfully defended the chargebacks.

The evidence that Stripe has provided shows that it carried out successful checks against the CVC, card number and expiration date for each transaction. C had not turned on the postal code check, so this didn't form part of Stripe's checks. Although C is unhappy that the postal code check wasn't on by default, I don't think this was because of something that Stripe did wrong.

Stripe's website says that the rule blocking payments which fail the postal code check might not be enabled by default so the customer should enable it using the Stripe dashboard. In C's case, Stripe has provided evidence that shows C had not enabled the rule at the time the disputed payments were made. So, I can't find that Stripe was at fault for not blocking the payments. I should also say that even if the rule had been enabled - if the card issuer doesn't support verification of a customer's postal code – the rule would not have prevented the payments going through.

Stripe's website also explains that payments can be still successful even if the CVC or address check fail because the card issuer can still approve a payment if the card issuer considers it to be legitimate.

All of this means that I don't find it fair to find Stripe responsible for the fraudulent transactions being processed. So, I don't require Stripe to refund the chargebacks to C.

The terms of C's account with Stripe set out what fees will apply, including to any disputed payments. As I don't consider Stripe made a mistake when processing the transactions, it follows that I don't require it to write off any charges which have been properly applied to C's account.

I'm satisfied that once C raised concerns over two of the charges in July 2021, Stripe tried to help. Stripe told C that the pattern of the two charges suggested that the transactions may be fraudulent and recommended that C refund the transactions selecting fraud as the reason for the refund. Stripe also explained that C should create payments through checkout rather than the dashboard.

Overall, I consider Stripe responded reasonably to C's concerns, so I don't require it to take further action in response to C's complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 28 November 2023.

Gemma Bowen
Ombudsman