

The complaint

A company, which I'll refer to as C, is unhappy that chargebacks totalling £16,844.32 were raised against it after 'Customer Not Present' (CNP) transactions turned out to be fraudulent.

C says that Barclays Bank Plc trading as Barclaycard's decision to decline returning the funds to its account is unfair because it followed all the bank's security measures to avoid these events happening.

In bringing this complaint, C is represented by its director, who I'll refer to as Mr F.

What happened

The background to this complaint is well known to the parties, so I won't repeat it in detail.

Briefly:

- In September 2016, C entered into an agreement with Barclays to provide merchant services so that C could take card payments from its customers.
- In February 2023, C accepted the following card payments over the phone for the purchase and subsequent collection of various building materials:

Date	Amount (£)
15.2.23	3,328.99
16.2.23	2,496.74
20.2.23	3,211.27
24.2.23	2,244.06
24.2.23	1,659.60
27.2.23	3,903.66
Total	16,844.32

- But these turned out to be fraudulent transactions which were later disputed by the genuine cardholder and charged back.
- In February and March 2023, Barclays issued chargeback notification letters to C. In turn, C responded by sending evidence in defence of the chargebacks, including invoices and details of the card used by the customer to pay for the goods.
- Relying on C's evidence, Barclays attempted to defend the chargebacks. But they were unsuccessful. Barclays then wrote to C to let it know that the dispute had been resolved in favour of the cardholder, which meant the chargebacks would stand and the funds debited to its account and returned to the cardholder.
- C didn't think that was fair and complained to Barclays.

- Barclays didn't think they'd done anything wrong and so, dissatisfied with their response Mr F referred C's complaint to this service to look into.

Our investigator didn't uphold the complaint. He also took the view that Barclays didn't do anything wrong and gave the following reasons – in summary:

- Since the cardholder said they didn't make the payments to C and that they were fraudulent, Barclays did as was expected of them which was to write to C informing it that chargebacks had been raised and that they would help defend them. Barclays attempted to do so with the supporting evidence C provided. And they did so in a timely manner and followed their process throughout.
- But the card issuer rejected the claims by providing a signed declaration from the cardholder saying they didn't carry out the transaction.
- Whilst it's acknowledged C did provide Barclays with information regarding the transactions, it didn't prove that the genuine cardholder carried them out.
- The payments were taken in a CNP environment and procedure guide that was provided to C outline that CNP transactions come with inherent risk.

C didn't agree with the investigator's conclusions and on its behalf Mr F has asked for an ombudsman to review the matter. He said he's provided Barclays and the police with evidence of the fraud committed against C and now C has nowhere else to turn.

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 start by acknowledging what has been an unfortunate set of events for C. It has been the victim of a fraud which has resulted in the loss of a significant amount of money. I therefore have a great deal of sympathy for C given the circumstances it now finds itself in.

But having considered this case very carefully, I agree with the investigator's conclusions and for much the same reasons. I'll explain why.

Briefly, and by way of context, I should explain that chargeback is a process by which disputes are resolved between card issuers and merchants under the relevant card Scheme rules.

The process involves the card issuer, through a dispute resolution scheme that is operated by the relevant card network – in this case both VISA and Mastercard - disputing on the card holder's behalf payments made on the card.

The decision whether or not to approve chargeback claims is for the card scheme to make. In other words, Barclays don't operate the Scheme or decide if a chargeback is successful. They can only decide whether or not to defend it.

Against that background, what that means is that in the circumstances of this case, the question for me to decide is not whether ultimately the right decision on the chargeback has

been reached. Rather it is whether the financial business – Barclays - in this case - handled the chargeback request against C appropriately.

I've considered the merchant services agreement referred to above as well as the accompanying terms and conditions. I've also had regard to Barclays Procedure guide. At various points in the terms and conditions C's liabilities and responsibilities are referred to.

For example, I note that Clause 4 which is entitled: *"Chargeback – our right to refuse payment and to charge payments back to you"*, states that:

"4.1 In some circumstances the card issuer or account provider will have the right under the scheme rules to refuse to settle a payment or to request a reimbursement of a payment which has already been settled".

And Clause 4.2 gives examples of the circumstances in which that might apply including:

"4.2 (e) "If the cardholder or account holder denies authorising a card-not-present transaction" .

CNP transactions are high-risk and carry an increased risk of chargebacks. This is clearly explained throughout Barclays Procedure guide which forms part of C's agreement with Barclays and which C will no doubt have read and be aware of.

In particular, under the heading: *"Accepting Card Not Present (CNP) transaction – e-commerce, mail and telephone order"*, it is clearly explained that authorisation isn't a guarantee of payment. It only confirms that there are enough funds available in the account and that the card has not been reported as lost or stolen at the time of the transaction.

The guide also states that Barclays cannot guarantee that the person presenting the card details is the genuine cardholder and so there's a risk of chargebacks following fraudulent transactions. In those circumstances, as is also explained the liability rests with C in the event of fraud.

The following warning regarding CNP's which is also set out in the guide is relevant to the circumstances of C's case. The warning says:

"You should not:

- Release goods to anyone claiming to have been sent by the cardholder (for example, a taxi driver) to collect the goods*
- Allow a cardholder to pick up goods paid for with a Card Not Present transaction."*

Barclays' responsibility during a chargeback dispute is to represent C as fairly as possible, which includes providing the card issuer with all supporting evidence and attempting to defend C. And Barclays did that. When they received documentation supporting the disputed transactions, from C they attempted to defend the chargebacks with the card issuing bank. Unfortunately, this was unsuccessful. But as explained above ultimately, that wasn't a decision for Barclays to make and in the circumstances therefore, I do not find that they made an error.

I appreciate that C will be disappointed with the outcome, and as I've mentioned above, I understand and sympathise with what C's been through, particularly as the CNP transactions turned out to be fraudulent.

However, having carefully considered the evidence I've seen from both parties, Barclays have acted correctly within the card scheme rules to which they're bound, as well as the terms and conditions of their agreement with C. I'm satisfied therefore that Barclays isn't liable for the losses C incurred due to fraud, and so I won't be requiring them to do anything to put things right.

My final decision

My final decision is 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 12 April 2024.

Asher Gordon
Ombudsman