

The complaint

Mr P has complained Starling Bank Limited won't refund him for a transaction he didn't authorise. He also complains about the service he received from Starling Bank Limited when he reported the transaction to it.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr P authorised payment from his Starling account for an item costing £37.75. Upon arrival of the item, he noted it was faulty so he initiated the replacement procedure through the merchant's app. The replacement procedure required Mr P to return the faulty item and the merchant to send a replacement. He received the replacement from the merchant, but the merchant said it didn't receive the return, so it charged him a further £37.75.

When Mr P noticed the second transaction he contacted Starling to tell it the transaction was fraudulent and to ask it to raise a chargeback request under Mastercard's chargeback scheme. During the call with Starling, he told it the merchant had said it hadn't made the charge.

Starling agreed to raise a chargeback dispute with the merchant. It refunded the payment pending the outcome of the dispute, explaining that in line with Mastercard's chargeback rules, the merchant had 60 days to challenge the decision. It also said that depending on the evidence the merchant sent, it might mean it couldn't continue with the claim. If that happened, it would need to take the money back out of his account.

On 29 June 2023, Starling told Mr P the merchant had contested the fraud claim on the grounds that the transaction was authorised and, based on the evidence it had received, it was unable to continue the dispute through Mastercard's chargeback process.

Mr P wasn't satisfied and so he complained to Starling about the outcome of his claim. He also said its agents had been rude to him. But Starling didn't uphold his complaint. It said it could have reviewed the claim with its retail team, but Mr P had challenged the transaction as fraudulent and it was unable to continue with the dispute through Mastercard as there was no evidence the transaction was fraudulent. It said it had followed its policy and guidelines in its assessment of the payment and its agents had acted professionally and in line with its service levels.

Mr P wasn't satisfied and so he complained to this service arguing the merchant had produced insufficient evidence. He said the outcome was against the T&Cs of his account and the Mastercard Fraud Guarantee and Starling had failed to prevent unauthorised use of his card. He said that upon receipt of the replacement item, the faulty item was repackaged and dispatched the same day using a barcode produced on the app.

Mr P said Starling had failed to carry out a full fact find in respect of the chargeback or to assign a complaint investigator with sufficient training to ensure that correct processes were

followed. He said the person who dealt with the complaint wasn't trained to deal with fraud or chargeback and that she had just contacted the members of staff who dealt with the chargeback to ask if they had followed the correct process.

He said he'd lost 20 hours of billable time dealing with the chargeback and associated complaints to Starling and that payments out of his account had been declined due to the negative balance resulting from the transaction. He said he wanted Starling to refund the disputed transaction, and to provide an apology and £300 compensation for the time spent dealing with the complaint.

Starling said Mr P had said the transaction wasn't authorised so a chargeback dispute was raised and his account was credited with the disputed funds. The merchant contested the chargeback and the dispute wasn't continued as there was no evidence the transaction was fraudulent. It said Mr P didn't tell it about the return of the damaged item when he first disputed the payment, so a chargeback was raised under no cardholder authorisation. It said Mr P knew about the transaction, so this should have been mentioned when he reported it as fraudulent.

Our investigator didn't think the complaint should be upheld. She noted the merchant's return policy states that faulty products must be returned within 30 days to avoid being charged for keeping both the original and replacement items. She accepted Mr P had received the replacement product and she said there was no evidence that the faulty item was returned, so she didn't think it was unreasonable for the merchant to have charged Mr P for the replacement item.

She was also satisfied that Starling had correctly carried out the chargeback dispute based on Mr P's initial submission that the transaction was fraudulent and as he hadn't provided any evidence that he had returned the faulty product, so there was no prospect of a successful chargeback.

Finally, our investigator didn't think Starling had made any mistakes while investigating the complaint. She was satisfied the disputes team dealt with the complaint and Starling's staff were polite and professional on the phone. She said it's not for the Financial Ombudsman Service to determine how businesses run investigations and she wouldn't be awarding any compensation.

Mr P has asked for his complaint to be reviewed by an Ombudsman. He maintains he did return the faulty item, Starling failed to carry out an independent review of the chargeback process and he wasn't dealing with the disputes team.

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.

Having done so, I've reached similar conclusions to our investigator. I know Mr P feels strongly about this complaint and this will come as a disappointment to him, so I'll explain why.

Since our investigator issued her view, Starling has agreed to refund Mr P £37.57 plus 8% simple interest from the date of the transaction until the date of refund as a gesture of goodwill. Because of this, I haven't considered whether it acted fairly and reasonably in choosing not to pursue the chargeback dispute when the merchant contested the claim.

Mr P is unhappy that payments were declined when Starling took the money back out of his account. In order to raise a chargeback in this particular case, Starling needed to cite one of the specific reasons set out in the scheme rules. In this case it challenged the transaction as fraudulent and I'm satisfied it did this based on what Mr P told it when he first disputed the transaction. And as the merchant contested the chargeback claim on the grounds the transaction was authorised and approved, I'm satisfied Starling was unable to continue with the dispute because there was no evidence the transaction was made fraudulently.

I'm also satisfied that Mr P was told at the start of the chargeback process that if the merchant challenged the dispute, Starling might have to take the money back that it had credited to his account. So, I don't accept it's Starling's fault that payments were declined from the account around the time it took the money back.

Mr P has said that Starling's staff were rude to him, but I haven't seen any evidence of that. And I don't hold it responsible for the time he chose to spend dealing with the matter because, as I've explained, I'm satisfied that Starling's decision to challenge the transaction as fraudulent was reasonable based on what Mr P said when he first contacted it to report the disputed transaction.

Finally, I understand that Mr P has concerns about Starling's investigation of his complaint, but I haven't seen any failings in the handling of the initial claim or the subsequent complaint and it's not for me to comment on how it trains its staff.

Overall, I don't think Starling handled this matter poorly, so I don't think it needs to do anything else to settle this 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 Mr P to accept or reject my decision before 19 January 2024.

Carolyn Bonnell
Ombudsman