

The complaint

Mr B is unhappy with the way Lloyds Bank Plc has handled his claim for a refund of a payment he made using his Lloyds Bank debit card.

What happened

In September 2022, Mr B paid a supplier I'll call Business 1 £1,126.67 for some flooring. He says that when it arrived some of it was damaged – although there's also evidence to suggest that, for whatever reason, it wasn't the type of flooring Mr B wanted.

In any event, Mr B contacted the supplier to try to return the flooring and get a refund or replacement. When neither was forthcoming, Mr B contacted Lloyds Bank on 10 November 2022.

Lloyds Bank raised a 'chargeback' the same day – and applied a temporary credit of £1,126.67 to Mr B's account.

Business 1 defended the claim on 9 December 2022. Lloyds Bank didn't accept its defence and explained why on 14 December 2022. This step is often called pre-arbitration or 'pre-arb'.

A few days later, Business 1 collected the flooring from Mr B. (Mr B had arranged this with Business 1 separately – it was not part of the chargeback process.)

Again, Business 1 defended the claim on 12 January 2023. Lloyds Bank sent Mr B an email on the same day to say it was 'unable to continue with [his] dispute' because Business 1 was willing to replace any damaged items. The email said Mr B should get in touch with Lloyds Bank within 10 days if he had any 'new' information he wanted it to consider, otherwise it would re-debit the temporary credit. As it didn't hear from Mr B, it re-debited the temporary credit on 27 January 2023.

Since then, Business 1 has refunded £935.88 to Mr B and Mr B has initiated legal proceedings against Business 1 to recover the difference.

But Mr B referred a complaint to our service because he was unhappy with the way Lloyd Bank had handled his claim.

One of our investigators didn't think Lloyds Bank needed to take any further action.

Mr B doesn't think this is fair and has asked that an ombudsman make a final decision.

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.

It's important I first clarify the scope of my decision. Mr B has started legal proceedings against Business 1 to recover the difference between the amount he paid (£1,126.67) and the refund he's received (£935.88). In an email Mr B sent our investigator on 14 August 2023, he says he doesn't want Lloyds Bank to pay him this money, so there's no possibility of 'double recovery' and he says the outcome of the court case is therefore 'irrelevant'. Instead, he wants Lloyds Bank to refund the interest it charged him for being overdrawn on his account after it re-debited the temporary credit. This is therefore all I will consider.

A 'chargeback' is a way for a debit card provider to reclaim money from the supplier's bank when a consumer doesn't get the goods or services he paid for. It isn't a legal right and there's no guarantee the card provider will be able to recover the money this way. The process is subject to the rules of the scheme – which, in this case, are set by Visa – and a strict criteria and time limits apply. To be clear, Lloyds Bank doesn't set the rules and I can't change them.

In this case, Lloyds Bank raised a chargeback and initially rejected Business 1's defence. However, when Business 1 again defended the claim, it chose not to escalate the matter to the final stage of the process, which is when Visa makes a final decision. This final stage is called 'arbitration'.

Mr B says he didn't receive the email Lloyds Bank sent him on 12 January 2023 and only learned of it on 31 January 2023, when it was too late to take any action. He says he doesn't understand why Lloyds Bank chose to send him an email on this occasion when it had previously communicated with him by text message. And he says there would have been ample opportunity to resolve the issue without going to court if Lloyds Bank had text or called him because, by this point, Business 1 had already collected the flooring. Finally, Mr B says he wouldn't have been able to access the email Lloyds Bank sent him on 12 January 2023 in any event because it was encrypted, and he says he wasn't sent an email asking him to set up a password until much later.

I've seen a copy of the email Lloyds Bank sent Mr B on 12 January 2023. I appreciate that Mr B is very annoyed that he didn't receive it or wasn't able to access it – but I'm satisfied that Lloyds Bank sent it. And, for completeness, I don't think it was unreasonable or inappropriate for Lloyds Bank to email Mr B on this occasion rather than text or call. After all, it's a widely used and often helpful way for banks to communicate with their customers.

I appreciate the point Mr B makes about only receiving an email to set up a password sometime later and it's not clear to me what happened here. But even if I accept that Mr B couldn't access the email, it doesn't make a difference to the outcome of this complaint. I say this because to uphold this complaint and direct Lloyds Bank to refund any interest it charged him on his overdraft, I'd need to be persuaded that Mr B could have provided 'new' information on or around 12 January 2023, and that Lloyds Bank should have escalated the matter to Visa and that Visa would have determined the dispute in Mr B's favour as a result. On the evidence I've seen, I don't think that's likely.

In an email to our service, Mr B wrote: 'Had I received the email when it was sent, I could have intervened. The outcome of that intervention is impossible to determine as I was not given the opportunity. However, it is fair to say that the bank/Visa may have been more favourable had they known that the stock had been back with [Business 1] for over a month at this stage and therefore had no basis for a dispute.' I disagree. While I appreciate that the flooring was collected by Business 1 on 19 December 2023, that doesn't mean Mr B is entitled to a full refund. Here, the dispute between Mr B and Business 1 is about the refund due, which turns on Mr B's reasons for returning the flooring and the relevant terms and conditions, if they apply and how. A court will shortly decide whether Mr B was entitled to a

full refund and nothing I say is intended to indicate an opinion on this point. However, for the purpose of this decision, it suffices to say that Business 1 has consistently defended this claim and pre-court mediation was unsuccessful, so Business 1 clearly feels as strongly about its position as Mr B does about his. Put simply, I've seen insufficient evidence that Mr B could have said something on or around 12 January 2023 that would have proved decisive, and that he's therefore lost out because Lloyds Bank didn't escalate the dispute to arbitration. It follows that I'm not going to tell it to refund any interest it charged him for being overdrawn on his account after it re-debited the temporary credit.

My final decision

For the reasons I've given, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 21 December 2023.

Christopher Reeves
Ombudsman