

The complaint

Mr F has complained on behalf of T. Mr F says that Barclays Bank Plc trading as Barclaycard is refusing to refund the amount lost as the result of a scam.

What happened

Mr F has told us he is the director of T, he made a payment for personal flights using the T credit card for £1,218.87 through the company Travelup.com but made the payment to a payment processing business named TransferGo.

Mr F said he did some research before making the purchase and the payment was initially stopped by Barclaycard before being allowed to be processed.

It is important to explain at this point that that T and F are separate entities and under this complaint I can only look at what has happened from the prospective of T.

Although the payment left the T credit card Mr F never received the tickets and realised a scam had taken place.

Our Investigator considered the complaint but didn't think it should be upheld. Mr F, on T's behalf didn't agree so this complaint has been passed to me to decide.

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 has not been disputed that a scam has taken place. The evidence provided by both Mr F and Barclaycard sets out what happened. What is in dispute is whether Barclaycard should refund the money lost due to the scam.

Recovering the payment

Mr F made payment into the scam via T's credit card. When payments are made by card the only recovery option Barclaycard has is to request a chargeback.

The chargeback scheme is a voluntary scheme set up to resolve card payment disputes between merchants and cardholders. The card scheme operator ultimately helps settle disputes that can't be resolved between the merchant and the cardholder.

Such arbitration is subject to the rules of the scheme, meaning there are only limited grounds and limited forms of evidence that will be accepted for a chargeback to be considered valid, and potentially succeed. Time limits also apply.

Mr F was dealing with the scam business travelup.com, which was the business that instigated the scam. But the card payment wasn't made to the scammer directly, instead the payment was made to a separate legitimate business. This is important because

Barclaycard would only have been able to process chargeback claims against the merchant that was paid, not another party (such as travelup.com).

The service provided would have been to facilitate the payment. Therefore, the service that was requested was provided. The fact that the funds were then transferred to the scammer doesn't give rise to a valid chargeback claim against the merchant that was paid.

Mr F has said Barclaycard should have told him to contact the merchant he paid soon after the payment was made, and this could have helped recover the funds. But I think it is very unlikely this would have helped as funds in these types of scams are usually moved on very quickly eliminating any chance of recovery.

Section 75

I have also considered whether Barclaycard is required to refund the payment under section 75 of the consumer credit act. But I don't think it is. T had an agreement with "travelup.com" but made the payment to TransferGo a separate payee. As the businesses are different this breaks the debtor-creditor-supplier chain that must exist for a section 75 claim to be successful.

I am satisfied Barclaycard had no options of recovering the payment made from the T credit card.

Should Barclaycard have reasonably prevented the payment made?

Banks and other Payment Services Providers (PSPs) do have a duty to protect against the risk of financial loss due to fraud and/or to undertake due diligence on large transactions to guard against money laundering.

Mr F has told us that the payment was initially stopped by Barclaycard but eventually processed without any kind of intervention despite him being clear that he had been asked for a one-time passcode. He says that should have been a red flag to the bank that a scam was taking place as he should never have been asked for the code. So, I think it's likely Barclaycard could have done more to prevent the loss.

But I am unable to uphold this complaint. The complaint has come to us in the name of T, and T has not suffered a loss. Therefore, I cannot ask Barclaycard to compensate T for any loss.

Mr F withdrew an asset from T for his personal use. So, T is owed the amount by Mr F. As it is Mr F that has incurred the loss, I cannot ask Barclaycard to compensate T. I am also unable to ask Barclaycard to compensate Mr F for his loss under a complaint made by T about a payment that left an account in T's name.

Mr F has argued that he paid the balance of the Barclaycard from his personal account so he should be refunded. But this does not change my decision on this complaint a card in the name of T was used to make the payment so I cannot consider Mr F's loss under this complaint.

Barclaycard does not have to make any payment to T in relation to this complaint.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 11 January 2024.

Terry Woodham
Ombudsman