

The complaint

Mr N has complained that Lloyds Bank PLC allowed a payment of £2,750 to debit his account. He's also complained about the way it dealt with his request for the money back.

What happened

Mr N said he used a car and van hire company to hire a vehicle for 24 hours. He paid £74.99 in December 2022 using his debit card to rent the vehicle and he tells us the rental company took a £100 holding deposit.

Mr N said he returned the vehicle in the same condition as he received it and the rental company returned his deposit. But he later received a telephone call from the rental company, and he said it was very abusive and threatening. He said the rental company told him he was liable for up to £5,000 for any damage to the rental vehicle. Mr N said he was worried and so contacted the police and trading standards. Mr N also said he contacted Lloyds to ask for help and gave strict instructions not to let any further payments go out to the rental company. He also said he went into a Lloyds branch to do the same. Mr N said Lloyds reassured him everything would be ok.

In January 2022 the rental company took a payment of £2,750 from Mr N's account. Mr N said he went into a Lloyds branch, but he didn't get the help he needed so he complained. He said he was unhappy the payment was taken despite not having the funds available and not having or seeing a signed contract. Mr N was unhappy the rental company could take payment from him even though he'd instructed Lloyds not to honour it. He said it caused a great deal of strain to his finances and he requested Lloyds reimburse him.

Lloyds responded to say the first call it could locate from Mr N was from 7 January 2023. It acknowledged it told Mr N that if the payment went out it could look to dispute it. It said even if the card had been cancelled, the rental company still had authorisation to debit the account. Lloyds said in order to raise the dispute it would require evidence but as Mr N couldn't supply anything there was nothing it could do. It said the card scheme allowed Mr N 120 days from the date of the transaction to raise a chargeback, which it would be willing to do, but it would need supporting evidence.

Mr N wasn't happy and referred his complaint to our service. One of our investigators looked into things, but ultimately didn't uphold the complaint. He said that without evidence, Lloyds was unable to raise a chargeback. He also listened to calls between Lloyds and Mr N and didn't think Lloyds had told him funds wouldn't be taken from his account. He said Mr N gave pre-authorisation for the transaction when using his card in the rental company's chip and pin machine.

Mr N didn't agree. He said Lloyds told him the payment wouldn't go out. He's unhappy the payment took him over his agreed limit. As things weren't resolved, the complaint was passed to me to decide.

I decided to contact Lloyds with some questions. I said Mr N had acknowledged he hired a vehicle from the rental company, and that he authorised a £100 holding deposit. But I

explained Mr N said he hadn't agreed or authorised a £2,750 payment to the rental company, and that he'd contacted Lloyds prior to it debiting his account. I wanted Lloyds to show me he authorised this payment. I said Mr N had told us he wasn't given any paperwork by the rental company, but perhaps the rental company had some sort of signed contract Lloyds could show us. I wanted Lloyds to demonstrate that firstly Mr N authorised the transaction, and that secondly there was nothing else it could have done to assist Mr N.

Lloyds responded to say a chargeback wasn't raised because Mr N wasn't able to supply supporting evidence and it can't raise claims without that. It said there was no other category to raise the dispute under. It said as no dispute was raised it couldn't provide any documents to show Mr N authorised the transaction.

I issued a provisional decision that said:

I'm considering whether Lloyds has acted fairly and reasonably in the way it handled the £2,750 payment, and the way it handled Mr N's request for getting his money back. Mr N wasn't present when the payment was taken. Lloyds hasn't been able to show he gave authority for the rental company to take the payment of £2,750. But I think Lloyds seems to be saying the rental company had pre-authorisation to take the payment when Mr N input his card details in the card machine. Lloyds also said it was unable to pursue a chargeback because Mr N didn't supply any evidence. I've thought about what I've seen, and whether I think Lloyds acted fairly. Based on the evidence I've seen so far, I don't think it did. I'll explain my reasoning below.

The chargeback process provides a way for a card issuer to ask for a payment to be refunded in certain circumstances. The chargeback process is subject to rules made by the relevant card scheme. It's not a guaranteed way of getting money back.

While it's good practice for a card issuer to attempt to chargeback where certain conditions are met and there's some prospect of success, there are grounds or dispute conditions set by the relevant card scheme that need to be considered. If these are not met, a chargeback is unlikely to succeed.

I take Lloyds' point that there are requirements for raising chargebacks under certain conditions like services not as described. I can see why it would have asked Mr N for a copy of a contract he signed. But he couldn't provide one because he says he wasn't left with one.

I'm mindful there are other chargeback conditions relating to delayed rental merchant charges for damages to a rental vehicle. Lloyds hasn't explained why this wouldn't have been a valid route to pursue with a reasonable prospect of success. I note the requirements for this chargeback condition puts an onus on the merchant to provide supporting evidence. It talks about the merchant providing things like the rental agreement; estimated cost of damage; evidence the cardholder gave consent to cover damages; amongst other things. But Lloyds didn't contact the merchant. I've not seen enough to say that was fair of it.

I'm also conscious the Financial Conduct Authority (FCA) set out guidance called "Payment Services and Electronic Money – Our Approach". There's guidance in relation to regulation 79 (Refunds for payment transactions initiated by or through a payee) of the Payment Services Regulations 2017. The guidance refers to debit card authorisation for hire cars. And it says If the amount of the payment transaction exceeds the amount the payer could reasonably have expected in all the circumstances, the payer is entitled to a refund of the full amount of the transaction from their [payment service provider]. So there might've been grounds for Lloyds to refund Mr N for this reason as well.

In all the circumstances, I don't think Lloyds has shown me Mr N authorised the transaction. It's not explained why it was unable to pursue the claim through chargeback for delayed rental merchant charges. And there might've been fair grounds to reimburse Mr N for the transaction exceeding the amount he could reasonably have expected in all the circumstances. I'm therefore going to propose Lloyds reimburses Mr N the £2,750 the rental company took.

I don't know if Mr N damaged the vehicle but if he didn't, he must have been very upset and worried about the situation. It came at an awful time considering he had his first mortgage payment going out a few days later and the payment took him well overdrawn. Based on what I've seen so far, I think the claim could have been handled better, so I'm also going to propose Lloyds pays Mr N a further £100 in compensation.

I should point out to Mr N that these are only my provisional findings. I need to give the parties the chance to respond before I decide whether to issue a final decision.

Mr N responded to say he agreed with a lot of the points made in the provisional decision and reiterated some things he'd said when raising the complaint. He also told us he'd closed his account with Lloyds because he was unhappy with the service. Lloyds responded to say it had nothing further to add.

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'd like to thank the parties for their responses. Seeing as though I've not received any materially new evidence to consider I'm not going to depart from the conclusions I reached in my provisional decision. If Mr N's account with Lloyds is now closed, it will need to make payment to him direct.

My final decision

My final decision is that I uphold this complaint and direct Lloyds Bank PLC to rework Mr N's account as if it had refunded him £2,750 the date it declined the claim. If this results in a credit balance, 8% simple annual interest should be added from the date of the credit balance to the date of settlement. Lloyds should also pay Mr N a further £100 compensation.

If Lloyds considers it is required to deduct tax from my interest award it should provide Mr N a certificate of tax deduction so he may claim a refund from HMRC, if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 5 February 2024.

Simon Wingfield
Ombudsman