

The complaint

Mr M complains that Lloyds Bank PLC (“Lloyds”) unfairly paid an invoice he disputed, leading to an unplanned overdraft.

What happened

Mr M went on a trip organised by P. Part of the arrangement for the trip was to agree to make payments for charges incurred on the trip through his debit card linked to his Lloyds account.

During the trip, Mr M incurred various charges for services supplied and at the end of the trip he was presented with an invoice by P for £5,296.92. P used the agreement with Mr M to process the payment against his Lloyds account.

Mr M had a disagreement over what he’d been charged and raised it with both P and Lloyds. He asked Lloyds to remove the amount whilst he cleared up the disagreement. Lloyds provided a temporary refund to Mr M while they looked into the claim.

Because the payment had been made using the VISA payment system, it was possible to use the “Chargeback” process and make an enquiry through VISA back to P. They (P) were asked to provide evidence that the amount taken from Mr M’s account was appropriate.

P responded to Lloyds and provided a copy of the invoice which detailed the individual charges they’d listed against Mr M’s account whilst he was on his trip.

After receiving this information, Lloyds wrote to Mr M and advised him what P had sent and asked him if he had any additional evidence with which they could go back to P with. Mr M was given 10 days to respond and if nothing further was received, he was advised that the temporary refund would be taken back, and the account could be overdrawn if insufficient funds were available. Mr M was also informed that additional charges (as a result of any overdraft) could be applied to his account.

After several days, Mr M informed Lloyds he couldn’t view their email and Lloyds re-sent it. Lloyds didn’t receive anything further from Mr M within the (original) time scales they’d earlier set out and re-debited the account. This caused Mr M’s account to enter into an unarranged overdraft because there weren’t sufficient funds in it at the time.

Mr M was left unhappy with how Lloyds had dealt with his claim, and he believed they were wrong when they processed the payment taken by P. Mr M made a complaint to Lloyds and continued to raise his issue with P.

Lloyds examined their actions when dealing with the payment and didn’t think they’d made any errors. Mr M continued to disagree and brought this complaint to the Financial Ombudsman Service for an independent review where it was assigned to one of our investigators. Both parties were asked to provide information about the complaint and Mr M was able to say that:

- He disputed the payment taken from his account.
- The payment should never have been taken because the account had insufficient funds in it, and there was no agreement for an overdraft.
- The situation has put him in a difficult financial position.
- He later clarified that he was only disputing the amount, (he believed P had mis-charged him), not that he owed P a payment.
- Mr M was accruing additional charges as a result of the overdraft situation which he wanted a court to decide on before repaying them.

Lloyds provided details of the payment and how it had been authorised. They also provided information about the evidence supplied by P and their communications with Mr M.

After reviewing the situation, the investigator concluded that Lloyds didn't need to do anything further, in summary he said:

- The invoice from P was as a result of charges accrued whilst on the trip.
- The transaction was authorised because P already had Mr M's agreement to use his Lloyds account to settle outstanding bills.
- Mr M had accepted the transaction was authorised but disputed the actual amount.
- Lloyds acted appropriately when they used the Chargeback process to enquire about the invoice raised by P, including the re-debit of the temporary refund. They did accept that the administration of the dispute could have been better and awarded Mr M £30.
- Lloyds didn't adjust the period of time to reclaim the refund (after Mr M had said he couldn't read their email), but the investigator didn't think this had an impact on Mr M because he'd continued to refuse to pay towards his overdraft.

Mr M disagreed with the investigator's outcome and commented further, in summary saying:

- He'd asked Lloyds not to redebit the payment.
- He didn't think the agreement he'd made with P allowed them to debit his account *"for any amount"*.
- His dispute with P is separate.
- He wanted to understand why Lloyds didn't decline the payment due to insufficient funds.
- Mr M said Lloyds should have notified him the payment would cause him to enter an unauthorised overdraft.
- Mr M doubted the information provided by P.
- He wanted to understand why Lloyds made the payment from his account.
- Lloyds should have referred P to speak with Mr M.

- Mr M later said he was disputing the payment.

As no agreement could be reached, Mr M's complaint has now been passed to me for a 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.

My focus is on what I think the key issues are as our rules allow me to do this and it reflects the nature of our service as an informal alternative to the courts. So, if there's something I've not mentioned, it isn't because I've ignored it, it's because I'm satisfied that I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

It's apparent that the question of whether Mr M authorised the payment or not is still in question. Mr M has expressed different opinions about this, so my first consideration here is to make a determination about the question of authorisation.

The evidence provided by Lloyds shows that Mr M had provided P with permission to use his Lloyds account (via a debit card transaction) to settle charges incurred with them during his trip. This is often referred to as "credentials on file", meaning that a process had already taken place between Mr M and P to deal with future charges. So, for the purposes of this complaint, Mr M had authorised P to use his card to settle outstanding charges.

The case Mr P has brought is that the amount charged by P is wrong and Lloyds acted unfairly when they dealt with his dispute. When Mr M raised this issue with Lloyds, they acted by making a request using the Chargeback system. This system, operated here by VISA, is voluntary and governed by strict rules and timescales.

The process requires P to respond with evidence to justify the charge they made against Mr M's account. That's what they did here and once received, Lloyds gave Mr M time to respond with further evidence. Nothing further was provided and without anything extra to counter P's position, Lloyds couldn't then have gone back and continued to argue the case for Mr M. The Chargeback process at that point requires the temporary refund to be taken back and the amount originally invoiced to be applied to the account.

Mr M was provided with appropriate notice of what was to happen, his options (providing other evidence for Lloyds to continue to challenge the payment) including what would happen (and when) to the re-debit and the treatment of his account if there were insufficient funds available (overdraft and additional charges).

Mr M has said that he wasn't properly informed, but having reviewed the evidence, I don't think that's the case. It's apparent that Lloyds resent the message to Mr M, so I think it's fair to conclude that he knew what the situation was and what the next steps were. I do accept when Mr M said he couldn't read their email about the additional evidence, Lloyds didn't extend the date of re-debit. But, as Mr M continued to dispute any payment to P, I don't think an extension would've made any material difference here. Mr M had sufficient time to supply additional evidence and make appropriate arrangements concerning the funds available in his account. He chose not to make any arrangements for funds and didn't provide any further evidence, so I don't think that Lloyds approach here was unreasonable.

I understand Mr M is upset that Lloyds processed the payment through his account, but as Mr M had already authorised it, there was little Lloyds could do at that point (apart from use

a Chargeback). Lloyds weren't in a position to stop P from taking the payment and they couldn't rely on the Chargeback any further because they had no further evidence. I accept that Mr M has an ongoing issue with P about the invoice, but that's not something Lloyds could do anything more about.

Mr M's account continued to accrue charges due to the outstanding overdraft and whilst this is unfortunate, this possibility was explained to Mr M at the time, so I think he had sufficient information to make appropriate arrangements to cover the payment made by P. It's not clear to me the overall financial position Mr M finds himself in, but if he's struggling with the situation, he should contact Lloyds about arranging an assessment of the ongoing debt.

I don't think that Lloyds failed to provide Mr M with appropriate information here and as he was already in dispute with P, Mr M was aware of what both parties were saying to him. I understand Mr M doubts the accuracy of P's invoice. But, whilst that may ultimately be the case, P supplied that invoice to Lloyds as part of the Chargeback process and there was no indication it was wrong. Lloyds would have no grounds to believe it was wrong unless Mr M provided additional evidence to highlight any potential inaccuracies. Unfortunately, nothing further was provided.

Overall here, I appreciate Mr M believed he was wrongly charged by P, but I'm satisfied Lloyds acted appropriately when they used a Chargeback to dispute the payment on Mr M's behalf. Mr M had already authorised P to take payment at a later date (and an unspecified amount). As there were insufficient funds in the account, it was reasonable for Lloyds to add the debt as an unarranged overdraft in order to settle the payment to P, so I don't think Lloyds actions here are grounds to uphold Mr M's complaint and I won't be asking them to do anything further.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 25 April 2024.

David Perry
Ombudsman