

The complaint

Mr and Mrs G have complained about the way Nationwide Building Society dealt with their request for money back.

What happened

Mr and Mrs G made two payments totalling £990 on their Nationwide debit card to book a holiday with a company I'll call S. Mr and Mrs G made a £350 payment in May 2022 and a £640 payment in September 2022. They were due to travel in December 2022.

Unfortunately, S went into administration. Mr and Mrs G were reassured their monies were financially protected.

Mr and Mrs G contacted Nationwide to ask for help. It raised a chargeback in November 2022 for services not received. S's bank declined the chargeback. Nationwide challenged the chargeback by going to pre-arbitration in December 2022, but this was declined again by S's bank in January 2023. Nationwide said the chargebacks were declined at both stages on the grounds that all refunds should be provided through a bonding authority or via an insurance scheme. Although its disputes evidence notes also indicate S said the cardholder received the goods/service. Nationwide said it couldn't send the chargeback to arbitration stage because Mr and Mrs G hadn't provided evidence to show the bonding authorities and/or insurance scheme rejected the refund.

I understand Mr and Mrs G couldn't claim through the bonding authority because their holiday didn't include any flights – a condition of raising a claim through it. Mr and Mrs G put in a claim through the insurance company, but it said it couldn't accept the claim because Mr and Mrs G were able to submit a claim through Nationwide. Mr and Mrs G found themselves at a stalemate and so referred their complaint to the Financial Ombudsman to consider.

Our investigator decided to uphold the complaint. She couldn't see any evidence to show Nationwide had asked Mr and Mrs G to provide evidence of contacting the insurance company. She thought had Nationwide obtained that information there'd have been a reasonable prospect of success through arbitration. She thought Nationwide should refund the £990 and add 8% simple annual interest to this amount from the date the payments were re-debited to the date of settlement.

Nationwide disagreed. It said S's bank declined the chargeback on the grounds it wasn't paying refunds through the chargeback process and that all customers must seek their refund through bonding authorities or insurance company.

As things weren't resolved, the 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.

I'm considering whether Nationwide has acted fairly and reasonably in the way it handled Mr and Mrs G's request for getting their money back. In situations like this, Nationwide can consider raising a chargeback.

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.

It's not in dispute the services weren't received. And there's a chargeback condition for these sorts of scenarios. I note the card scheme rules say that for disputes related to non-receipt of travel services from a provider that is insolvent or bankrupt the issuer must attempt to obtain reimbursement from the relevant bonding authority/insurance scheme (where applicable) unless the bond or insurance scheme is insufficient. It says if the bond or insurance scheme is insufficient, the issuer may use information in the public domain to initiate the dispute. The rules also say if the issuer was required to obtain reimbursement this way, it needs to wait 60 days from the date the claim was submitted to the bonding/insurance scheme before initiating a dispute.

Mr and Mrs G were told their monies were protected but they received no help from the chargeback claim because the outcome was that they needed to raise their claim through the insurance company. And they received no help from the insurance company because it said Mr and Mrs G could raise a claim with their bank. It must have been really frustrating for them. It's curious that Nationwide's dispute evidence notes set out that S's reason for both declines was that the cardholder received the goods/services (before also talking about the available protections). I don't think this was totally correct.

Mr and Mrs G were keen to resolve things. Nationwide raised the chargeback and took it to pre-arbitration. This was fair of it. But the dispute evidence notes I've set out above indicate S's response to both chargebacks may not have been correct. Mr and Mrs G contacted the insurance company after receiving Nationwide's response. From what I've seen, Mr and Mrs G wrote to Nationwide shortly after receiving a response from the insurance company and supplied its response. I don't know why Nationwide said it hadn't seen this evidence. But I think on balance Mr and Mrs G supplied it.

In its final response letter Nationwide told Mr and Mrs G again the previous reasons for decline. It hasn't explained why it couldn't do more when Mr and Mrs G sent it the response from the insurance company. I don't know for certain what would have happened, but I think there'd have been a reasonable prospect of success had Nationwide taken the chargeback further given the instructions (and decline reasons) from S's bank might've been incorrect. I think the relevant rules seem to cover these sorts of scenarios.

All things considered, I don't think Nationwide handled the claim as well as it could have done. I find there was a reasonable prospect of success had Nationwide continued to pursue the chargeback. I therefore agree that it's fair it now reimburses Mr and Mrs G £990. I also agree it should add interest on this amount from the date the payments were re-debited from Mr and Mrs G's account.

My final decision

My final decision is that I uphold this complaint and direct Nationwide Building Society to refund Mr and Mrs G £990. Interest* should be added on to this amount at a rate of 8% per year simple, from the date the payments were re-debited from Mr and Mrs G's account to the date of settlement.

* If Nationwide considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs G how much tax it's taken off. It should also give Mr and Mrs G a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs G to accept or reject my decision before 13 January 2024.

Simon Wingfield

Ombudsman