

The complaint

Mr G complains that Lloyds Bank PLC treated him unfairly when he asked it to help him obtain a refund.

What happened

Mr G used his debit card with Lloyds Bank PLC to book accommodation with a supplier. I'll refer to the supplier as "Q". As it turned out, Mr G's circumstances changed and he could no longer use the accommodation, so he tried to cancel his booking and claim a refund.

However, Q cancelled the booking but would not give Mr G his money back. Rather it charged him a cancellation fee which equated to 100% of what he'd paid for the booking. Q indicated that it was entitled to do this under the booking conditions that Mr G had agreed to.

Mr G disagreed with Q's stance. Therefore Mr G looked to Lloyds Bank to help him get a refund.

Lloyds Bank said it could use a process known as chargeback to help Mr G get his money back (I'll explain the ins and outs of chargeback below in the "what I've decided and why" section). Initially Lloyds Bank provisionally refunded Mr G's money. But then once Q defended the chargeback, Lloyds Bank decided there was no point in continuing with the chargeback. This was because Q's defence was strong enough, in Lloyds Bank's estimation, to mean that Lloyds Bank had no realistic prospect of succeeding with the chargeback. It told Mr G this and redebited the money from Mr G's account.

Mr G was unhappy with Lloyds Bank's response. In his opinion it didn't investigate his complaint properly given all the information he gave it.

Dissatisfied, Mr G complained to our service.

One of our investigators looked into Mr G's complaint. Our investigator did not recommend upholding Mr G's complaint.

Lloyds Bank accepted our investigator's recommendation, Mr G did not. In rejecting our investigator's recommendation Mr G repeated his previous stance. He added that he never asked Lloyds Bank to do a chargeback rather he asked it to investigate and make sure he got a refund. He explained some of the emails Lloyds Bank sent him went to his spam folder. He indicated that if he'd been able to respond sooner to those emails from Lloyds Bank he'd have given it information that would have meant he'd get his refund. Mr G explained that due to what he sees as Lloyds Bank's mistakes in handling the chargeback his credit file has been adversely impacted. Mr G points out that in his opinion Q has not done what it says it was going to do and what it should have done according to their contract.

Mr G asked that an ombudsman review his complaint.

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.

First, I'm very aware that I've summarised this complaint in far less detail than the parties and I've done so using my own words. I'm not going to respond to every single point made

by all the parties involved. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here.

Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. Rather, I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

Where the evidence is incomplete, inconclusive, or contradictory (as some of it is here), I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in the light of the available evidence and the wider circumstances.

In considering what is fair and reasonable, I need to have regard to the relevant law and regulations, regulator's rules, guidance and standards and codes of practice and (where appropriate) what I consider to have been good industry practice at the time.

As Mr G paid for the accommodation using his debit card and wanted a refund, I've thought about whether Lloyds Bank dealt with his request fairly. The chargeback process is relevant in this case although I acknowledge that Mr G does not agree.

Chargeback is a way in which payment settlement disputes are resolved between card issuers and merchants. They are dealt with under the relevant card scheme rules.

In certain circumstances the process provides a way for Lloyds Bank to ask for a payment Mr G made to be refunded. Those circumstances include where goods or services aren't supplied or as described/misrepresented by the company Mr G paid.

There is no guarantee that a chargeback will succeed, and it can be opposed or defended by the financial institution which received the card payment (it will represent the merchant), who may not agree that the chargeback is valid. If no side to a chargeback is willing to concede then the card scheme itself can be asked to make a ruling by a process known as arbitration.

I would expect a debit card provider, approached by a customer looking to dispute a card payment for goods or services, to consider whether it had valid grounds for raising a chargeback, and to do so if it would appear that a chargeback would both be compliant with the card scheme rules and have reasonable prospects of succeeding. As part of its approach I'd also expect the debit card provider to select the right chargeback reason code.

Therefore it follows that if I am to order Lloyds Bank to refund all or part of the cost of the accommodation, I must be satisfied that it acted incorrectly in the way it made a chargeback claim under the chargeback regulations. I've looked at what Lloyds Bank did, and the relevant regulations and I think Lloyds Bank acted correctly. I'll explain why I say this below.

From the information I've seen Mr G had no automatic right to a refund under the terms of his contract with Q. Rather, in the circumstances of Mr G's complaint, Q had the right to charge Mr G a 100% cancellation fee, which in reality meant he'd get no refund. There was a caveat to this, in that at a future date, Mr G might be eligible for a partial refund if certain condition was met, I'll call this the "qualifying condition". However, at the date of the chargeback that future date had not been reached and it was not clear if the qualifying condition would be met or not.

It is not clear if Mr G is disputing the relevance of the terms of his contract with Q to the chargeback. Or if he is saying that these were not terms on which he contracted. Certainly Mr G has not provided alternative contractual terms. But in either case I'm satisfied, in the circumstances that he did contract with Q on these terms, and they were relevant to the chargeback.

I'm satisfied that Lloyds Bank chose the correct chargeback reason code. I am also satisfied that in the circumstances the defence put forward by Q would have been a complete bar to the chargeback succeeding even if Lloyds Bank had taken the option to go to arbitration.

I take on board that Mr G did not ask for a chargeback he just wanted Lloyds Bank to help him get a refund. But there was no other mechanism that Lloyds Bank could reasonably have used to help Mr G get a refund.

Moreover, Lloyds Bank is not to blame that some of its emails ended up in his spam folder. Neither am I satisfied that on balance, if this had not happened, Mr G could have provided information that would have overturned Q's defence.

It is regrettable that Mr G's credit file has been negatively impacted because the chargeback did not succeed, but that was an unavoidable consequence of the chargeback failing and of the fact that Mr G contracted with Q. I'm satisfied that Lloyds Bank made it clear what the consequences of a failed chargeback could be, and even if it did not, Mr G would still have experienced this consequence. Moreover, Lloyds Bank is not responsible for the consequences of Mr G contracting with Q.

It may be that since the chargeback failed Q has breached its contract with Mr G. I make no finding about that, as I have no power to do so. However, chargeback is not a forum for enforcing Mr G's contractual rights. Rather as I've already indicated, what I'm looking at is whether Lloyds Bank acted correctly in the way it made a chargeback claim under the chargeback regulations

I know this isn't the outcome Mr G was hoping for. I can see from what Mr G has told us that he sees wrongdoing in almost everything Lloyds Bank has done, or not done. That's understandable when you are as close to the situation as Mr G is. But I have a different remit; I have to look at all the evidence provided by both sides, not just listen to Mr G's version of events. And, after reviewing everything in detail, on the basis of all of the information I've seen, I'm unable to find Lloyds Bank has treated Mr G unfairly.

It follows that for all of these reasons, I find that Lloyds Bank acted appropriately. Therefore, I've no proper basis for saying Lloyds Bank has to take any further action.

My final decision

My final decision is that I do not uphold Mr G's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 2 November 2023.

Joyce Gordon
Ombudsman