

The complaint

Miss Z complains that NewDay Ltd trading as Debenhams ('NewDay') declined a credit card chargeback after it was defended by the seller.

What happened

After Miss Z purchased an electrical item on-line using her NewDay credit card, she complained to the seller that it wasn't working as it should. The seller told her she could return it for a refund, or it could be replaced if it was returned. Miss Z wanted a refund and established it would cost her more to return the item than the amount she paid for it. She told NewDay she would return it at the cost of the seller. She asked NewDay to arrange a chargeback on this basis.

NewDay refunded the cost of the item (£65.99) to Miss Z's card and submitted a claim to the seller and suspended interest payable on the transaction. Unfortunately, the seller declined the chargeback request and NewDay reapplied the debit to the card.

Miss Z complained to NewDay that they had treated her unfairly and had handled the matter unprofessionally.

NewDay provided a final response and said they didn't uphold the complaint. They said it was a requirement of the MasterCard chargeback process that goods were returned before a chargeback is accepted by a seller, and they felt that any further attempt to apply a chargeback would be unsuccessful.

Miss Z didn't accept the final response from NewDay and brought her complaint to our service.

Our investigator looked into things for Miss Z and thought that NewDay hadn't done anything wrong because the seller had supplied evidence Miss Z hadn't tried to return the faulty item. Miss Z didn't accept the thoughts of the investigator and asked for an ombudsman to decide her 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.

Having done so, I agree with our investigator and I think they set out matters clearly and thoroughly.

There are two ways that a card provider can try to help a customer recover money paid on a credit card. The first way is under a voluntary chargeback scheme. The rules are set out by the relevant card scheme, in this case MasterCard. The other method is under Section 75 of the CCA 1974, but this is only possible if the items in dispute have a cash price of more than £100. In this case the item was £65.99.

I understand Miss Z says she didn't know the chargeback scheme was voluntary and that she feels misled by NewDay that the credit card offered less purchase protection than she believed it did. I have noted Miss Z's concerns that NewDay's advertisements advertise the consumer protection benefits of the MasterCard. I can't comment on NewDay's advertisements or tell them to change them – we're only here to look at complaints about individual situations. It's the regulator – the Financial Conduct Authority (FCA) – who regulates financial businesses and their processes. However, I can decide whether NewDay applied the MasterCard chargeback process fairly in this case.

Initially NewDay processed a chargeback and temporarily credited Miss Z's account with the value of the item. This is what I would've expected NewDay to do after Miss Z contacted them. I have seen that NewDay wrote to Miss Z to tell her the value of the item had been refunded, but they may need to look at things again if the seller provided more details.

In this case the chargeback was defended by the seller who provided evidence Miss Z hadn't returned the goods. The information received from the seller was enough for NewDay to believe the chargeback wouldn't be successful, so under the terms of the scheme it didn't need to pursue the chargeback further. NewDay then re-debited the cost of the item to the credit card.

Although I appreciate this will have caused Miss Z significant frustration and upset, and has left her £65.99 out of pocket, I don't think NewDay made a mistake by reversing the chargeback. I think NewDay applied the chargeback process fairly in Miss Z's case and I haven't seen that NewDay acted unprofessionally during the process.

My final decision

My final decision is that I don't uphold this complaint and I won't be asking NewDay Ltd trading as Debenhams to take any further action.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss Z to accept or reject my decision before 6 January 2021.

Paul Lawton
Ombudsman