

The complaint

Miss B complains about the way NewDay Ltd (“NewDay”) handled a chargeback request she made for an online purchase.

What happened

In May 2020 Miss B bought a pair of air pods online for £149.99 using her NewDay MasterCard credit card. In July 2020 she contacted NewDay to raise a dispute and request a refund, as she believed the air pods were counterfeit. NewDay sent Miss B a declaration form to complete, sign and return so that it could process the chargeback request, which it received back from Miss B in August 2020. It then began to review the request. In the meantime, in September 2020, NewDay refunded the full amount for the purchase back into Miss B’s account, while its investigations were ongoing.

NewDay’s review involved contacting the merchant for its response. The merchant challenged the dispute and provided evidence to support its position. In light of this information from the merchant, NewDay reversed the refund and told Miss B about this on 8 December 2020. On the same day, the full amount for the air pods was once again debited from Miss B’s account.

Miss B was unhappy about this, as she said the situation had caused her to go over her account limit. She was then charged a fee for going over, despite paying in money to bring her account back up to within her limit. She complained to NewDay, but it said it had administered her account correctly. Miss B remained unhappy with NewDay’s response, so she referred her complaint to this service.

Our investigator considered the issues and thought the complaint should be upheld. She said NewDay shouldn’t have to refund the over limit fee but that it should compensate Miss B for the trouble and upset it caused by not communicating effectively with Miss B at key stages during the chargeback process.

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’ve decided to uphold this complaint. I’ll explain why.

When Miss B first raised the chargeback request, NewDay says she would’ve been played a recording which said: *“the merchant has up to 45 days to challenge your claim against them, if this does happen the credit we have added to your account could be reversed. We will of course let you know before this happens.”*

NewDay’s letter to Miss B dated 2 September 2020 also says *“However, if the retailer comes back to us with more details, we may need to look at things again. This could mean the purchase will be debited back on your account. If this happens, we will of course let you*

know”.

I think it's reasonable to think from the information provided in the recording and the letter that NewDay would give a customer notice of a chargeback reversal, by informing them that a merchant had challenged a dispute – and then by letting a customer know in good time that the funds would be debited. I can't see that NewDay did this.

I've also considered whether NewDay has followed its usual process. It says that customers can be emailed by the disputes team on the same day as the debit is made to their account by the offshore team, if the case is worked the same day by both departments. While I accept this may be NewDay's standard process, in this case it is clear that only being told about the debit on the same day it left her account has caused Miss B some financial detriment and some distress.

Had NewDay given Miss B adequate notice of the debit leaving her account, then I consider it likely that Miss B would've been able to plan ahead for this, by either reducing her spending on the account leading up to the chargeback reversal or by paying in more money to compensate for the debit.

I say this because, Miss B spent £9.95 on her credit card on 5 December 2020. This took her £4.24 over her credit card limit. I accept that it wasn't NewDay's fault that Miss B went over her limit initially. However, had she been aware on this date that the chargeback was due to be reversed and that £149.99 would once again be debited from her account, I consider it possible that she would not have made the purchase of £9.95 which took her over her credit limit.

On 19 December 2020, Miss B made a payment of £166.23 towards her account. This was significantly higher than the minimum payment required under the account. And I can see from her other statements she often made more than the minimum payment required. So I think it's likely Miss B intended to pay in enough to bring her balance within her credit limit. Her account ended up being £12.89 over her limit by the end of the statement period – and this is the exact amount of the interest which was applied to her account. I think if NewDay had better managed Miss B's expectations by providing adequate notice of the chargeback reversal, Miss B would've had more time to manage her finances in such a way as to avoid the situation she then found herself in, with her account suspended, and her credit file affected.

In the circumstances, I agree with our investigator and I think that although the over limit fee and the interest charged on the account were both applied fairly, it wasn't reasonable for NewDay to give only same-day notice that the debit would be taken from Miss B's account. I don't consider this to be in line with the recording that was played to Miss B, or in line with the correspondence sent to her, both of which suggest that sufficient notice would be given in the event that a merchant challenges a dispute.

Putting things right

To put things right for Miss B, NewDay should pay Miss B £50 in recognition of the trouble and upset caused to her by its failure to properly notify her of the chargeback reversal.

My final decision

My final decision is that I uphold this complaint and I require NewDay Ltd to put things right for Miss B as I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept

or reject my decision before 25 July 2021.

Ifrah Malik
Ombudsman