

The complaint

A company, which I'll refer to as S, complains that Barclays Bank Plc (trading as Barclaycard) treated it unfairly by refusing to reimburse two chargebacks claims that they'd processed even though S had already refunded the payments to the customers.

In bringing this complaint, S is represented by its director who I'll refer to as Mr C.

What happened

The background to this complaint is well known to the parties so I won't repeat it in detail. Briefly, however:

- In July 2013, S entered into an agreement with Barclays whereby Barclays undertook to provide merchant acquiring services to S.
- In August and September 2020 Barclays received two chargeback requests in connection with two payments that had been made to S of £929.52 and £3,042.91.
- Barclays have told us that because they can only send chargeback notices by post, on 28 August and 3 September 2020, they wrote to Mr C to tell him about the chargebacks. The bank says the letters asked Mr C to respond within 14 days with evidence if S wanted the bank to challenge them.
- Having received no response to their letters within the timeframe stipulated, Barclays refunded the chargebacks to the customers and debited both transactions from S's account.
- According to Mr C, in the meantime, and suspecting the transactions were fraudulent, at the beginning and towards the end of September 2020 S refunded both payments to its customer. That, however, meant S's customer received two refunds which resulted in S being out of pocket by the duplicated amount.
- Mr C said he hadn't received Barclays' 3 September 2020 letter regarding the larger chargeback amount until 7 October 2020 and that the second letter dated 28 August regarding the smaller transaction never arrived.
- But soon after receiving the 3 September 2020 letter Mr C contacted Barclays to challenge the chargeback and asked Barclays not to process it in light of the action S had already taken. Barclays told Mr C to wait until S's September 2020 statement arrived at which point matters could be discussed further. Mr C later realised Barclays had already processed the chargebacks and so formally complained to the bank.

- S said Barclays' systems should have identified that S had already refunded the two payments to its customers and on that basis declined to process the chargebacks. S therefore believed Barclays were responsible for its loss and should compensate it by reimbursing the chargebacks they'd processed.
- Barclays didn't think they'd done anything wrong. They said under Visa and Mastercard rules, once a chargeback request is received, they have a limited time to provide a defence and they cannot change those timescales. Barclays said that because S's reply to their letters was received after the timeframe had expired, the bank couldn't defend the chargebacks.

Mr C remained unhappy about Barclays' position and so, he referred S's complaint to our service.

Our investigator didn't think Barclays were at fault for processing the two chargebacks. Although she acknowledged S's case that one of Barclays' letters arrived after the deadline it had been given and the other not at all, nonetheless she was persuaded that Barclays sent both letters to S's correct address. Furthermore, she noted the following provision in Barclays' merchant terms and conditions which said:

"If any notice is sent by first-class post it will be treated as being received at noon 2 days after it was posted (3 days in the case of second-class post). In the case of notices, we send to you, this applies even if it is not delivered or if it is returned undelivered."

Based on the condition, the investigator concluded that since Barclays had sent both letters appropriately and had no reason to doubt they'd been delivered and on time, when the bank didn't receive S's response before the deadline it had been given, Barclays correctly processed the two chargebacks.

However, the investigator concluded Barclays provided poor service to S. She observed that when in October 2020 Mr C first contacted the bank about S's concerns regarding the chargebacks, Barclays didn't tell him the chargebacks could no longer be challenged since the timeframe for doing so had passed. So, the investigator recommended Barclays pay S £150 in compensation.

S did not accept the investigator's conclusion. On its behalf Mr C once again maintained that Barclays' systems should have identified that S had already refunded the two transactions to its customer. He didn't believe therefore, that the bank's decision to process the chargebacks was justified. He also said that whereas Barclays may not be obliged to help S to pursue a claim against the cardholder's bank, nonetheless as their clients there is nothing to prevent the bank from doing so and therefore it should.

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.

Where the evidence is incomplete or inconclusive (as indeed 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.

By way of context I should explain that chargeback is the process by which some disputes are resolved between card issuers and merchants under the relevant card Scheme rules (in

this case, Mastercard). Barclays don't operate the Scheme or decide if a chargeback is successful – it can only decide whether or not to defend it.

It's worth pointing out also that I can only consider S's dispute with Barclays, and not S's customer to whom it gave the refunds. Furthermore, in connection with S's dispute with the bank, I can only look at whether Barclays treated S fairly and reasonably in line with the Scheme rules.

When a chargeback request is made, the merchant has a limited period in which to submit their response to the card scheme. Therefore, it is important that they are informed as quickly as possible about the chargeback, and information supporting a challenge is quickly passed on to the card scheme.

On receiving the chargeback requests, I'm satisfied that Barclays did as reasonably they were expected to do which was to notifying S about them and to ask if it wished to challenge the chargebacks. I am not persuaded that Barclays did anything wrong in how they made S aware of the chargebacks.

I've thought about S's case the first letter of 28 August never arrived and the second dated 3 September took over a month.

It's difficult to explain what happened even allowing for the fact the letters were sent to S's address in Europe. But it is worth noting that on occasions the postal service fails to operate as it should. That's demonstrated by the time it took the 3 September 2020 letter to arrive. And although Mr C has told us the 28 August letter did not arrive at all, knowing the importance of timescales and the fact the bank did send the 3 September letter which did arrive, I don't have any reason to doubt that it would also have sent the 28 August letter.

Unfortunately, the postal service issues meant S missed the deadline for its response. But I don't think I could reasonably hold Barclays responsible for that and, unfortunate though that is, S's failure to provide the evidence the bank had asked for in order to defend the chargebacks.

I note Mr C's case that the bank's system should have picked up the payments he'd made and, on that basis, defended the chargebacks. But Barclays had written to S for evidence in order to challenge them. Not having received confirmation S wished to challenge the chargeback accompanied by its evidence to enable the bank to do so, I do not think I can reasonably conclude it was at fault for not taking that action.

S signed the merchant services agreement with Barclays which means the bank can take money from S for any payments that it made under the Scheme. As this is in line with the Scheme rules, I can't reasonably say Barclays has done anything wrong.

I recognise and understand Mr C's strength of feeling that S's customer has received the chargebacks they weren't entitled to in view of the refunds it made separately to them. However, that would be relevant to a dispute between S and its customer. I'm afraid it's not relevant to S's dispute with Barclays and I don't think it would be fair to hold Barclays at fault for not wishing to become involved.

That being said like the investigator, and for the reasons she gave, I too am persuaded Barclays provided poor customer service to S. No doubt had the bank told Mr C in October when he first contacted it, that the chargebacks could not be challenged he'd have been aware of the position straight away. I think there was some inconvenience as a consequence as S had then to engage further with Barclays to establish firmly that there was no further recourse available through the bank to recover the duplicated payment.

Putting things right

Having considered the circumstances of this case, and for the reasons given by the investigator I'm satisfied that a payment of £150 to S is fair and reasonable.

My final decision

My final decision is that I uphold this complaint in part. In full and final settlement Barclays Bank Plc should pay £150 to S in full and final settlement of the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 10 January 2023.

Asher Gordon
Ombudsman