

The complaint

The complaint has been brought by a company, W. Any reference to W includes those submissions made on its behalf by its director, Mr B.

W is unhappy with how Santander UK Plc handled chargeback requests. W complains that Santander caused avoidable delays, failed to provide updates, and didn't adhere to the rules and timescales set by the relevant card scheme.

What happened

Both parties are familiar with the circumstances of this complaint, so I've provided a summary of what's happened.

- W made several chargeback requests to Santander for purchases made from W's business account.
- Two chargebacks remain in dispute and are the subject of this complaint – I'll refer to these as chargeback A and B.
- Chargeback A refers to the purchase of a business training course.
- Chargeback B refers to the purchase of a business coaching course and software.

Chargeback A

- W raised a chargeback request with Santander on 1 June 2020 for a transaction dated 19 January 2020. On 2 June 2020, Santander requested information from W about the payment.
- By mid-June W had provided some information, but Santander said it wasn't enough to attempt the chargeback because it needed a receipt showing proof of purchase, a breakdown of costs and the value of any outstanding lessons from the business course. So, it requested further information from W, which was received in mid-July.
- In early August, Santander attempted the chargeback request, but it was declined. It raised a dispute the following day.
- The merchant's bank was given time to respond but having not heard back from it, Santander credited W's account in mid-September 2020.
- W says it experienced difficulties with Santander during this time – namely, having to chase for updates, being sent correspondence with the incorrect spelling of both its and Mr B's name, and that a complaint about the service Santander had provided had been closed prematurely.

- W complains that because Santander took too long, Mr B was prevented from investing money into another business.
- Our investigator was satisfied it was reasonable for Santander to request further information from W before attempting the chargeback with the relevant card scheme provider. She didn't think Santander had caused avoidable delays, and that it was standard practice to wait 45 days for a response from the merchant's bank before crediting the funds
- She said Santander had correctly referred W to this service after it closed the complaint. But she said its service did fall short because it gave contradictory information when asked for updates, and W had needed to call several times to find out what was going on. So, she said Santander needed to pay £100 compensation to reflect the difficulties W experienced

Chargeback B

- W asked Santander to raise chargeback requests for four transactions paid to the merchant. The merchant acquirer's bank accepted three of these at pre-arbitration stage but defended chargeback B.
- So, Santander referred chargeback B for arbitration with the card scheme provider, who ultimately found in the merchant's favour.
- W doesn't think Santander handled the chargeback fairly because it didn't share the merchant's evidence for defending the chargeback.
- Our investigator explained we don't have the power to consider complaints about the card scheme's arbitration decision.
- She was satisfied Santander hadn't acted unfairly by not sharing the merchant's evidence.

Santander agreed with the investigator's overall findings, but W said the compensation didn't reflect the difficulties experienced and remained of the opinion that Santander hadn't acted in accordance with the relevant card scheme's rules. So, the case was passed to me for a decision.

On 8 June 2022, I issued a provisional decision, which said:

"What I've provisionally 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 intend to reach the

same outcome as the investigator, but my reasons for doing so are different.

But before I provide my thoughts on whether Santander handled these two chargebacks fairly, it's important to clarify – for both parties' understanding – who the eligible complainant is in this case.

W brought the complaint to our service – though Mr B has made submissions on its behalf in his capacity as director and signatory of W's business account. As W is a

limited company, and therefore, a separate legal entity, W is the eligible complainant here, not Mr B. What this means is that I can't consider the personal losses Mr B says he's experienced – my consideration of compensation is restricted to the inconvenience – if any - that W has experienced.

I have explained to Santander that from the information I've seen so far, I'm satisfied W is a micro-enterprise and therefore an eligible complainant for the purpose of Dispute Resolution Rule 2.7.3R, and so this service isn't prevented from looking at this complaint. Santander appears to have accepted my thoughts on this.

So, I'll now turn to whether Santander handled the chargeback requests fairly.

Chargeback A

Santander considered chargeback A under the relevant card scheme provider's rule. The chargeback was ultimately successful. So, what I'm considering is whether Santander's handling of it caused avoidable delays.

According to the relevant rule, the chargeback must be raised within 120 calendar days from when the cardholder expected to receive the merchandise or services. Emails dated 21 May 2020 between W and the merchant suggest this is when W became aware that it wasn't going to receive the service it thought it was going to from the merchant. Based on this, Santander had until 18 September 2020 to raise the chargeback. I can see from Santander's system notes that the chargeback was raised in early August 2020, so it appears to have been raised in time.

I have considered however whether there were any avoidable delays during this time. Early on, Santander needed further information from W to raise the chargeback. Santander explained it needed this because W hadn't provided a receipt or invoice for the transaction, nor had a breakdown been given as to what aspects of the course had or hadn't been fulfilled by the merchant. I'm satisfied it was reasonable for Santander to ask for this to progress the chargeback and so, I don't think it caused avoidable delays in doing so.

Our investigator explained Santander waited 45 days to see if the merchant defended the chargeback before crediting W's account. Whilst this meant W waited longer to have the amount credited to its account, I don't think Santander acted unreasonably in doing so. As Santander couldn't be certain the chargeback would be successful - and as this was a high value transaction - I think Santander were being prudent in waiting to see if the merchant defended the chargeback. Had Santander provided a temporary credit, W would have been put in the difficult position of having to return the funds to Santander if the merchant defended the chargeback.

Our investigator acknowledged that W had been given unhelpful updates and thought £100 compensation fairly reflected the inconvenience W experienced. I've thought about this - along with the issues raised about W's name being mis-spelt in correspondence. Whilst this would have been frustrating, I must keep in mind that despite these errors the correspondence was ultimately sent to the correct email address, therefore, limiting the

inconvenience of the mistake. So, on balance, I agree that £100 reasonably reflects the inconvenience W experienced and I'm not intending to increase the amount of compensation in respect of this.

Within its submissions W has said that because Santander took too long to resolve the

chargeback, Mr B wasn't able to reinvest money into another of his businesses and that this has affected his livelihood. I've already explained above that as this case has been presented as having been brought by W, I can't consider Mr B's personal losses. This also extends to the alleged losses of a third party limited company. So, whilst I understand Mr B's strength of feeling about this point, I'm not able to consider this when determining the level of compensation.

Chargeback B

When a bank starts a chargeback, the outcome is not guaranteed. The claim may be successfully defended by the merchant. That doesn't mean the bank agrees with the merchant, or that it favours one party over another. It simply means the merchant has defended the claim in line with the card scheme rules. Which is what has happened in respect of this chargeback.

For clarity, I'm not considering the card scheme's decision to find in the merchant's favour (it didn't consider the circumstances to amount to misrepresentation). I appreciate W is unhappy about this, but what W has is a contract dispute with the merchant - which is not something this service can consider. Instead, what I'm able to look at is whether Santander handled the chargeback fairly.

Santander raised the chargeback as a misrepresentation. I've looked at the evidence provided by W. From what I've seen W says it was led to believe the product on offer would match its business needs but that this turned out to be false as the platform wasn't compatible with the product it was looking to sell. Even though the card scheme didn't agree this was a misrepresentation, based on the information provided to Santander at the time the chargeback was raised, I'm persuaded it was reasonable for it to raise the chargeback using the code it did. So, I don't think there's an issue with whether the right code was used.

I have seen the merchant provided evidence to defend the chargeback at pre-arbitration stage. Santander subsequently took the case to arbitration – it said it did so as three out of four (this being the fourth) chargebacks relating to the purchase of this course and software had been successful. This isn't something Santander were obliged to do – but given three other chargebacks had been successful, it seems there was reason to believe this chargeback might be successful under the same card scheme rule. And I'm satisfied this was a reasonable course of action.

The issue W has is that Santander don't appear to have shared the merchant's evidence for defending the chargeback with W, and so W says its position has been prejudiced.

Santander hasn't said why it didn't share the information with W. So, I need to consider whether if it had, might it have made a difference.

I haven't seen that there's an expectation on Santander to share the merchant's defence with W before it sent the claim to arbitration. Even if it should have, I'm not persuaded W would have been able to provide evidence which would have led to a different outcome. I say this because the merchant put in a robust defence which indicated the platform / software worked as it should have. And evidence supplied with the case filing supports the merchant's case that it provided what was agreed and the platform was working. Nor does the agreement accepted by W mention the ability of selling the product W sought to. So, I

haven't seen enough to persuade me that on the balance of probabilities, W could

have provided evidence which would have made a difference.

Whilst I recognise it might have been preferable for Santander to share with W the merchant's evidence, ultimately, I'm not persuaded W has been prejudiced. Santander took the chargeback to arbitration following the merchant's defence – as I'd expect it to do in the circumstances - but a robust defence was provided in response to W's claim, which isn't something Santander is responsible for. So, I'm currently not persuaded that Santander needs to refund W or pay compensation for its handling of this chargeback claim.

My provisional decision

My provisional decision is that I uphold this complaint and I direct Santander UK Plc to pay W £100 compensation. Santander UK Plc must pay the compensation within 28 days of the date on which we tell it W accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple."

Santander responded to my provisional decision and agreed to pay the compensation. W didn't provide any further comment in respect of the merits of the 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, my final decision is the same as that set out in my provisional decision above.

My final decision

My final decision is that I uphold this complaint and I direct Santander UK Plc to pay W £100 compensation. Santander UK Plc must pay the compensation within 28 days of the date on which we tell it W accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask W to accept or reject my decision before 25 July 2022.

Nicola Beakhust
Ombudsman