

The complaint

Mr O complains that Starling Bank Limited didn't raise his chargeback claim after he returned unwanted goods to the supplier.

What happened

Mr O ordered two computers from a supplier in October 2021 and paid for these using his Starling Mastercard debit card. Mr O was then able to secure the same equipment through his university and so he returned the items he had purchased using the supplier's return label. Unfortunately, the items were lost in transit. Mr O says he wasn't able to claim for the goods from the postal provider as he had used a supplier return label and so it was up to the supplier to make the claim. He contacted the supplier several times and says he was told he would receive the refund, but this didn't happen. Mr O then contacted Starling Bank to raise a dispute about the payment. Mr O says he provided documents to support his case, but Starling Bank refused to raise his claim.

Starling Bank issued a final response letter in February 2022. It noted the contact that had been made and said that Mr O hadn't provided sufficient evidence for his chargeback claim to be raised. It said it needed Mr O to provide evidence that the goods had been returned and received by the supplier and that the supplier had said a refund would be provided. Mr O had explained the goods had been lost in transit and it noted that further evidence had been provided but said there still wasn't sufficient evidence for a claim to be raised.

Our investigator upheld this complaint. She said that Mr O had provided the evidence required for a chargeback claim to be raised. Because of this she thought Starling Bank hadn't acted fairly by not raising the chargeback claim and recommended that Starling Bank refund Mr O the cost of the returned items and pay him £300 for the distress and inconvenience he had been caused.

Starling Bank didn't accept that Mr O had met the requirement for a chargeback claim to be raised. It said the tracking information provided didn't show the final destination for the supplier and so it couldn't say the goods had been received by the supplier. It said that Mr O hadn't followed the required returns policy as he had packaged the two items in the same box. It also said that when he raised his dispute, he didn't provide the certificate of posting, or prepaid labels. Starling Bank didn't accept that Mr O had met the chargeback scheme provider's requirement that supporting documents must show how each chargeback condition was met.

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.

Chargeback is the process by which settlement disputes are resolved between card issuers and merchants under the relevant card scheme. In this case Mr O acquired the items using his Mastercard debit card therefore I have considered the Mastercard chargeback scheme rules.

Mr O raised his dispute with Starling Bank saying his refund hadn't been received. This falls under the chargeback reason of '*Credit not being processed*'. Starling Bank said that there wasn't sufficient evidence for a chargeback claim to be raised. But in this case, I think there was. I say this because when Mr O submitted his claim, he provided evidence from the supplier saying that the package was in transit and further emails saying his refund was being processed. Mr O provided a tracking number and the reasons for his claim. Starling Bank said that it needed proof the items had been received by the supplier. However, the scheme rules do not require this.

The scheme rules chargeback conditions include:

The merchant has not responded to the return or the cancellation of goods or services.

In this case, Mr O said in his claim form that he had been told he would receive a refund, and this hadn't been received. He raised his dispute request within the 120-day timeframe and provided copies of emails showing him chasing the refund. I note Starling Bank's comment that it didn't receive the full email chain but I think the evidence provided was sufficient to show that Mr O had been told he would receive a refund and that this hadn't happened and the supplier was no longer responding. Because of this I think the chargeback condition should have been considered as met.

Supporting document can be needed for a claim to be raised. The scheme's rules say evidence can be one of the following:

- *A cardholder letter, email, message, or Dispute Resolution Form—Cardholder Dispute Chargeback (Form 1221) describing the cardholder's complaint in sufficient detail to enable all parties to understand the dispute. This means that the cardholder email, letter, message or completed Dispute Resolution Form—Cardholder Dispute Chargeback (Form 1221) must document how each Chargeback Conditions was met.*
- *Merchant documentation to support a credit is due to the cardholder.*
- *Proof of an improperly disclosed in-store credit and cardholder explanation.*

Mr O completed a chargeback form which explained the details of his dispute. He also provided evidence from the supplier saying that the goods were in transit and separately that a refund request had been raised. The supporting evidence doesn't require the cardholder to prove the items have been received back by the supplier. Based on the information Mr O provided I think that Starling Bank should have raised the chargeback claim.

Through this investigation further evidence has been provided and I think had Starling Bank requested specific items from Mr O these would have been provided directly. Mr O has provided proof that he returned the items using the supplier's return labels. I note the comments about the items being returned in the same box rather than in separate boxes but I do not think this is enough to say that Mr O didn't take reasonable actions to return the items or that his claim shouldn't have been raised.

As I think Starling Bank should have raised the chargeback claim, I have to consider what I think the outcome would have been had this happened. Unfortunately, due to the passage of time, a claim can no longer be raised under the chargeback scheme and so I have considered whether I think the claim would have been successful had it been raised in time.

In this case, Mr O has provided evidence of the goods being returned. He has also provided evidence that the supplier identified the goods as being in transit and that a refund request had been made. I appreciate that the supplier hasn't confirmed receipt of the goods and it appears these were lost in transit. Mr O has tried to raise a claim with the postage provider but hasn't been able to due to his use of the supplier return label. Therefore in this case I think Mr O has taken the steps required to try to resolve his claim with the supplier and also through other means and he has also provided enough evidence to support his claim that the items were returned and refund was due. Because of this I think that had his chargeback claim been raised at the time Mr O contacted Starling Bank about his dispute, it would have had a good chance of success. Because of this I uphold Mr O's complaint.

Because Starling Bank didn't raise Mr O's chargeback claim when I think it should have, Mr O has been without his refund for an extended period of time. This has caused him financial difficulties as well as the stress involved with dealing with this dispute. Therefore, I think that Starling Bank should pay him £300 for the distress and inconvenience he has been caused.

Putting things right

Starling Bank Limited should:

- Refund Mr O his transaction of £2,838 along with 8% simple interest from 11 January 2022 till the date of settlement; and
- Pay Mr O compensation of £300 for the distress and inconvenience he has been caused.

My final decision

My final decision is that I uphold this complaint. Starling Bank Limited should take the actions set out above in resolution of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 9 November 2022.

Jane Archer
Ombudsman