

The complaint

Mrs M is unhappy with the way Metro Bank PLC ('Metro Bank') handled her claim for a refund of a payment she made using her Metro Bank debit card.

What happened

On 13 February 2020, Mrs M used her Metro Bank debit card to pay a travel agent I'll call 'T' £1,681.11 for return flights from London to Bangkok for herself and two others.

They were due to fly from London to Bangkok on 6 May 2020 and return on 16 May 2020. However, the flights were cancelled when the Civil Aviation Authority of Thailand banned all international passenger flights in April 2020, and later extended the ban for all of May 2020.

When Mrs M first contacted Metro Bank, she said T gave her a credit note, and later said it would give her a refund within 90 days. Regrettably, T didn't confirm this in writing, and it went into administration on 21 August 2020 – before Mrs M received a refund.

On 25 August 2020, Mrs M called Metro Bank to ask it to help her get a refund. The Metro Bank employee asked Mrs M to provide some evidence to support her claim – including a copy of the original booking confirmation or receipt, a copy of the cancellation notification from T, any other correspondence between Mrs M and T, and any evidence she had that T had gone into administration.

Metro Bank then wrote to Mrs M on 31 August 2020 to confirm the evidence that was required. Specifically, it asked Mrs M to provide evidence that she'd tried to resolve the dispute with T, a cover letter explaining the dispute with sufficient detail for all parties to understand it, and receipts/invoices.

Mrs M called Metro Bank on 8 September 2020 for further clarification. She asked what she needed to provide and how to provide it. Specifically, she said: 'I've got the original papers for the booking of the holiday with me, is that what you're after?' The Metro Bank employee replied: 'That's what we're after. And also just a cover letter from yourself explaining the situation: that they've gone bust, that you booked a holiday with them, the company have gone into liquidation, they've given you the option of a refund within 90 days but that never happened, you never actually managed to get the refund obtained.'

On 10 September 2020, Mrs M went into a branch of Metro Bank and provided a brief cover letter, the paperwork she'd received from T when she booked the flights, and a letter from ABTA about T.

In a letter dated 23 September 2020, Metro Bank said it was 'unable to assist' Mrs M 'due to the 120 day timeframe'. It didn't explain what it meant by 'the 120 day timeframe', why it thought Mrs M's claim was out of time, or what evidence Mrs M had or had not provided that had caused it to reach this conclusion. An email Metro Bank sent Mrs M on 20 January 2021, in response to a complaint, simply repeated the same line.

Mrs M then referred her complaint to our service.

Metro Bank told us that as Mrs M had not provided evidence that the holiday was cancelled, or that a credit note had been provided, it had reviewed the claim using the expected date of travel, when T was still trading, and concluded that Mrs M's claim fell outside the 120 days that Mastercard allows for a chargeback.

One of our investigators upheld the complaint. He recommended that Metro Bank refund the payment of £1,681.11 with simple interest at 8% per year from the date it first declined her claim until the date she receives the refund.

Disappointingly, Metro Bank didn't respond to our investigator – or to his subsequent emails.

The complaint has therefore been passed to me for a final decision.

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.

A 'chargeback' is a way for a debit card provider to reclaim money from the supplier's bank when a consumer doesn't get the goods or services she paid for. It isn't a legal right and there's no guarantee the card provider will be able to recover the money this way. The process is subject to the rules of the scheme – which, in this case, are set by Mastercard – and a strict criteria and time limits apply.

The card provider isn't required to initiate a chargeback just because the consumer asks it to – but I think it's good practice for one to be attempted when there's a reasonable prospect of success.

In this case, I think Metro Bank should have initiated a chargeback. And if it had, I think it's likely it would have succeeded and Mrs M would have received a full cash refund. I'll explain why.

Alongside its detailed rules, Mastercard helpfully issued guidance during the pandemic. The guidance it issued at the start of May 2020 says:

'In the case of a reasonable alternative (e.g. voucher or merchant-branded gift card) being provided after a merchant cancelled services, Mastercard allows issuers to submit chargebacks if the reasonable alternative is not useable as described, due to merchant becoming insolvent or the service not being otherwise available.'

And in guidance it issued at the start of April 2020, Mastercard explained the time limits that apply:

'A chargeback may be considered within 120 calendar days of the voucher or merchant-branded gift card's expiration date, or if undated, then 540 calendar days from the central site processing date of the original transaction.'

Finally, Mastercard's 'Chargeback Guide' from May 2020 sets out what's required to initiate a chargeback for 'Goods or Services Not Provided'. It says the Cardholder's email, letter, message or completed Dispute Resolution Form, must include:

- 'A description of the cardholder's complaint in sufficient detail to enable all parties to understand the dispute; and,
- 'A reasonably specific description of the goods/services purchased'.

I think Mrs M provided Metro Bank with sufficient detail to enable all parties to understand the dispute. If it considered her cover letter insufficient, it could and should have explained why so that Mrs M could amend it accordingly. I appreciate that Mrs M was initially asked to send Metro Bank a copy of the correspondence from T confirming that her flights had been cancelled, but the follow-up letter didn't mention this – nor did the employee Mrs M spoke to on 8 September 2020. And it wasn't required to initiate the chargeback in any event.

Likewise, Metro Bank neither asked for, nor needed, a copy of the credit note from T to initiate the chargeback. When Mrs M first spoke to Metro Bank, she explained that she'd chosen a credit note with T, instead of the airline, because T told her that with its credit note, she 'could go anywhere, anytime'. I think Metro Bank could and should have initiated a chargeback on the basis that Mrs M accepted a credit note that was no longer useable because T was insolvent. Given what I've said above about the time limits for such a claim, it's clear it would have been 'in time' whether there was an expiration date or not.

Had Metro Bank initiated a chargeback, on balance and based on the evidence available to me, I don't think T would have been able to show that the dispute was invalid or otherwise defend the chargeback.

It is now too late for Metro Bank to initiate a chargeback. As I'm satisfied, on balance, that Mrs M would have received a full cash refund if it had initiated one when it should have done, I think Metro Bank should pay Mrs M £1,681.11, with simple interest at 8% per year from 23 September 2020 – when Metro Bank wrote to Mrs M to say it was 'unable to assist' – until the date she receives the money.

My final decision

For the reasons I've given, I uphold this complaint and direct Metro Bank PLC to pay Mrs M £1,681.11 with simple interest at 8% per year from 23 September 2020 until she receives the money.

If Metro Bank thinks it needs to deduct tax from the interest element of this award, it should provide Mrs M with a certificate of tax deduction if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs M to accept or reject my decision before 9 January 2023.

Christopher Reeves
Ombudsman