

The complaint

Mr O complains that Monzo Bank Ltd unfairly handled two chargeback claims.

What happened

In December 2021 Mr O placed two separate orders on different dates for an item of clothing and a pair of sunglasses from an online marketplace. He used his Monzo debit card for both purchases. Mr O says that when the item of clothing arrived, he discovered that it wasn't the style of clothing he'd actually ordered. And when the sunglasses arrived, he found they were the wrong size.

Mr O returned both items using the return process provided by the online marketplace and used a tracked mail service when doing so. Mr O was upset when the online marketplace declined to refund him. It said the retailer had said Mr O had returned items which weren't the ones that had been sent to him. The retailer had said it had correctly sent the items he had ordered and no refunds could be issued until the rights items were sent back.

Mr O made two chargeback claims to Monzo. Monzo raised both claims with Mastercard who was the debit card provider. The retailer defended both claims. Mastercard declined both chargebacks.

Mr O complained to Monzo that both of his chargebacks had unfairly been declined. Monzo didn't uphold his complaint. It said it had offered appropriate support and followed its internal procedure and the regulatory guidelines. Monzo explained that chargeback is a voluntary scheme which it hadn't been obliged to raise. But on doing so, Mastercard had assessed both of Mr O's claims and ruled in favour of the retailer. Monzo said there wasn't sufficient evidence that the wrong goods had been delivered and the process had now been exhausted.

Mr O was unhappy at Monzo's response and complained to this service. Our investigator didn't recommend that his complaint should be upheld. She said Monzo had passed each chargeback claims to Mastercard who had assessed his claims and declined them. Our investigator said she didn't think Monzo had acted unfairly.

Mr O disagreed with our investigator's view. He said it was unfair that he lost his money. Mr O also said that the online marketplace had informed him that the money had been refunded and he believed this had been unfairly kept by Monzo.

As the parties were unable to reach an agreement the complaint has been passed to me.

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.

The issue for me to consider here is whether Monzo has handled Mr O's claims for reimbursement of the cost of the two items he says were wrongly supplied and returned

by him. I've seen that the retailer defended his chargeback claims and said Mr O had received the correct items he'd ordered but had actually returned different ones.

When Mr O made his claims to Monzo, it used the chargeback scheme to seek reimbursement of the costs of the items. Chargeback is a process that involves the card issuer disputing payments made on the card through a dispute resolution scheme operated by the companies which run the card networks, here that's MasterCard. It allows customers to ask for a transaction to be reversed if there's a problem with the goods or services they've paid for. There's no automatic right to a chargeback and it isn't a guaranteed method of getting a refund.

The Card Scheme sets out the necessary conditions under which a claim can be processed. These are that the cardholder engaged in the transaction, the cardholder contacted the merchant to resolve the complaint and the merchant refused to adjust the price, repair the item or replace it. It also says that for disputes involving goods the cardholder must have either returned the item or have informed the merchant that the goods were available for pick-up.

If Monzo had felt that a claim won't be successful, then it doesn't have to raise a chargeback. So, Monzo wasn't obliged to make a chargeback if it concluded that the chances of success would be remote. Here, Monzo asked Mr O for evidence about what he had ordered, what had been delivered and returned and had decided to raise two chargeback claims for Mr O. It was Mastercard which then assessed these claims and found in favour of the retailer.

So, looking at Monzo's actions I'm satisfied that it didn't act unfairly taking Mr O's claims forward. It requested the required evidence and put forward what Mr O provided together with his claims for assessment by Mastercard. This was in accordance with the scheme rules. It hadn't been Monzo's decision to decline the claims. I don't think there was more Monzo could have done.

Mr O says he was later told by the online marketplace that refunds had been made for both items, but these funds had been kept by Monzo. Monzo disputes this and says that although at the start of Mr O's chargeback claims the money would have been deducted from the retailer while the claim was considered, it wasn't returned to Monzo but actually held in a separate account. It explained this is the set process when chargeback claims are raised. Once the claim has been considered the funds are either returned directly to the consumer or passed to the retailer depending on the result of the chargeback claim. Monzo has provided screenshots showing that both of the dispute balances are zero meaning that the funds had been re-presented to the retailer. Monzo said it didn't challenge this re-presentation as Mr O's chargeback claims had been declined.

Looking at the evidence that Mr O has presented to support his assertion that the funds had actually been refunded but not passed to him, I'm unclear why the retailer has said refunds for both of these items had been issued in January 2022 as this would have been before the chargeback claims had been considered by Mastercard. And I've seen that the retailer had defended both of these claims with Mastercard which wouldn't fit with it agreeing refunds. I've also seen that Mr O says no credit for either of those items had been recorded on his account with the online marketplace which I would have expected had this occurred.

I think the most likely thing to have happened in respect of these funds was that the retailer had been confused by the payments having been debited during the chargeback claim process. And I don't think it's likely that the money was reimbursed to Monzo and it then failed to reimburse it to Mr O. I'm satisfied on the evidence I've seen that Mr O's two chargeback claims were declined, and the money was then passed to the retailer.

For the reasons set out, and although I appreciate this will be of disappointment to Mr O. I'm not upholding his complaint.

My final decision

For the reasons set out above, I'm not upholding Mr O's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 28 December 2022.

Jocelyn Griffith
Ombudsman