

## The complaint

A company which I'll refer to as "L" complains that Barclays Bank Plc (trading as Barclaycard) treated them unfairly by not defending a chargeback claim against them.

The complaint is brought on its behalf by its directors, Mrs E and Mr L.

## What happened

L told us:

- In April/May 2022, they accepted fourteen payments from a customer over the phone. After obtaining authorisation codes from Barclaycard, the goods were sent to the customer's address and proof of delivery was recorded.
- In June 2022, Barclaycard debited their business account for £10,550 without authorisation from them taking them into their overdraft. They had no warning that Barclaycard were doing this because of a chargeback, and initially had no idea why the money had been taken - which had caused inconvenience to the company and distress to the directors.
- It was unfair for Barclaycard to take money from them as they had received authorisation that the payments were fine and released the goods on this basis. If they hadn't received this authorisation, they wouldn't have released the goods.
- They shouldn't be held responsible because Barclaycard's security checking process wasn't fit for purpose. They didn't know what else they could do to protect the company as they were already taking all the protective measures Barclaycard had suggested.

Barclaycard told us:

- The authorisation L received was to say that there were available funds for the transactions and at that time, the card hadn't been reported as stolen.
- It had debited L's account because of the chargebacks for 12 payments which had been received because of 'Card-not-present' (CNP) fraud. This was in line with the scheme rules and terms and conditions.
- The signature obtained upon delivery didn't prove that the actual cardholder had given authority for the payments.

Our investigator didn't recommend the complaint be upheld. She said that CNP transactions were at higher risk of chargeback even if authorisation had been obtained, and it would be for L as the merchant to pay the disputed amount if the card issuer raised that chargeback. She thought that Barclaycard hadn't done anything wrong as it had acted in line with the scheme terms and conditions and didn't believe L had been misled by the term 'authorised' or that Barclaycard had insufficient security.

L didn't agree. They said Barclaycard hadn't acted in accordance with various sections of the FCA Handbook and that they had been misled when signing up with the business.

## 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, I've decided not to uphold it, for broadly the same reasons as the investigator.

Firstly, I need to make it clear that I can only consider L's dispute with Barclaycard, not L's customer and what actions should be taken in regard to them. I can only look at whether Barclaycard has treated L fairly and reasonably in line with the Scheme rules.

A 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. If the merchant bank chooses to defend against the chargeback, the case will go to arbitration before the card scheme – who will consider all the evidence. The costs of arbitration can be significant to the losing party in the dispute. In this case, Barclaycard said that it couldn't defend L against chargeback claims of this nature i.e. fraudulent transactions and therefore returned the funds to the cardholder's bank. I understand this is frustrating for L, but chargebacks are decided based on the card scheme rules not the merits of any dispute between the cardholder (and whether or not they were the ones who received the goods) and the merchant.

I recognise that L says Barclaycard's fraud team should have made them aware there was an issue, but it would only have been notified of this when the cardholder's bank raised the chargeback. L also says that Barclaycard's terms are unclear and misleading, and that they shouldn't be liable for the chargeback as Barclaycard authorised the payments, but I don't agree. Barclaycard has said its CNP authorisation to a merchant is to confirm that funds are available to make the payment and that the card hasn't been reported as stolen at that point. I acknowledge that L isn't happy with this and believes it's a lack of security and protection for them as merchants, but there are limitations to the checks that Barclaycard could undertake, and this is in line with other merchant services providers. I also think L ought reasonably to have been aware that there will be a higher level of risk where a customer isn't physically present. And I can't fairly hold Barclaycard responsible for the action of the person(s) who committed the fraud.

Under the agreement terms there are clear sections specifically relating to Authorisation and Chargebacks and I've seen that terms say that '*Authorisation of a card payment is not a guarantee of payment and it does not prevent us from recovering a chargeback or other amount in relation to the card payment*' they also say that '*in some circumstances the card issuer or account provider will have the right to request reimbursement of a payment*' and the circumstances included '*if the cardholder or account holder denies authorising a CNP transaction*'. So based on what I've seen I don't think the terms were unclear or misleading and I think it was reasonable for Barclaycard to claim the money back from L.

L also says it's unfair that Barclaycard debited their account and that they didn't have any warning this was happening – but I don't agree. I've seen a copy of L's Barclaycard statement from 31 May 2022 which shows that £10,555 of chargebacks had been raised against the company and says that this will be collected on or after 10 June 2022. Furthermore the terms of L's agreement with Barclaycard say '*If you have to pay us back for a chargeback, the amount will be a debit from you to us which you will owe immediately and you agree that we have the right to deduct the relevant amount from your bank account if you hold that account with us*'. So I don't think Barclaycard did anything wrong here.

I recognise that this has been a difficult time for L and that they'll be disappointed with my decision. However, I don't think Barclaycard did anything wrong, so I won't be asking it to refund the chargeback. L has told us that they are in financial difficulty as a result of this, so they should contact Barclaycard directly to see if it can provide any assistance.

### **My final decision**

My final decision is that I don't uphold this complaint.

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

Jenny Lomax  
**Ombudsman**