

The complaint

A company which I will call T, complains that WorldPay (UK) Limited reversed a number of genuine transactions they accepted through their card terminals, and then did not help fix the issue for a considerable period of time. They say that this resulted in inconvenience and financial loss. The complaint is brought to us on behalf of T by Mr W, the director of T.

What happened

The background to the complaint is known to both parties and so I won't repeat it at length here.

Briefly, T was a customer of WorldPay for several years. They say that they were approached by another merchant services provider offering better rates and 4G handheld terminals. T therefore decided to cancel their contract with WorldPay and switch to the new provider. However, WorldPay offered to match the rates, and provide 4G terminals. T accepted the offer and started using the new terminals in July 2022.

Sometime in October 2022, T was contacted by one of its customers who warned them that the payments the customer made to T had later been returned to them incorrectly. This prompted T to investigate further and they realised that several of their genuine transactions had been reversed.

When T contacted WorldPay about this, they were told that WorldPay wasn't responsible for the reversals and the transactions may not have gone through as expected due to poor signal strength at T's site. T didn't think that the problem was due to any signal issue as the transactions were being executed and receipts printed.

T was then told that they needed to complete an end of day report daily on the terminal as that would 'help to push the transactions through to be processed'. This would stop the transactions being stored in the terminal and later reversed. T says they tried this and still the transactions were being reversed. WorldPay then suggested that all the card machines be 'updated'. T says they did this too, but this also did not work.

In the end, WorldPay manually processed all the affected transactions and credited T's account. This happened by about middle of December 2022. Following this issue, T decided to end the agreement with WorldPay and move to another provider. WorldPay agreed to terminate the agreement with no termination fee for the inconvenience this matter caused to T. It also offered to pay £100 which it later increased to £200.

Mr W didn't think that the compensation was sufficient. He said that not only T incurred financial loss as a result of this issue but also this caused considerable inconvenience and damage to reputation of the company.

One of our investigators considered the complaint and concluded that the compensation should be increased to £500. WorldPay agreed to pay £500. However, it insisted that it made no error but has taken a commercial decision to pay this sum.

Mr W did not agree. He felt that the compensation is inadequate for the loss and inconvenience T has suffered.

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.

WorldPay has told us that the reason why the transactions were not settled was because they were marked as "reversals", which meant that rather than processing as usual, the funds were returned to the cardholder's balance following the expiration of the authorisation code.

It says that this reversal could happen due to a number of reasons including, but not limited to, requests from the cardholder, merchant, issuing bank, acquiring bank, or as the result of an incomplete data packet at the time of the transaction.

In this instance it is isn't clear why the reversals happened, though WorldPay has clarified that there was no request from it, as the card payment acquirer, for any transaction to be reversed on T's account. It also doesn't appear that the reversals were due to request from cardholders or issuing bank.

Given that the problem appears to have started from July 2022 when the 4G terminals were provided, it seems more likely that the issue could be due to the incomplete data packet at the time of the transactions.

WorldPay says this generally occurs if the signal used for the machine fluctuates in strength at the time of the transaction, causing some transaction markers to be blank within the data packet. Mr W however doesn't believe that the problem was due to poor signal. He says that if that was the case, the transactions wouldn't go through at all.

It is difficult for me to know now with certainty what caused the problem. However, I see that this issue wasn't systematic in the sense that this didn't occur all the time. I can see that many other transactions went through. So, I cannot rule out the possibility of occasional drop in the signal causing this issue.

However, there is no evidence that WorldPay warned T beforehand that any poor signal could cause reversals. Had it done so, that would have given an opportunity to T to look out for such an error, and the issue may have been detected sooner. It also appears that WorldPay did not inform T of these reversals when they happened. Further, Mr W says he had to call WorldPay many times and spend several hours with it in trying to resolve the matter. I have no reason to doubt his testimony. I also accept that this issue would have caused some damage to the reputation of T.

On the other hand, I can see that WorldPay has attempted to fix the issue on being notified of the problem. When its suggestions didn't work, it agreed to manually process all the affected transactions, which it did. All of this was done within about six weeks of WorldPay put on notice of the issue. It also did not apply the termination fee when T ended the contract due to this issue - which is fair in the circumstances. And it has agreed to pay £500 as recommended by the investigator in order to resolve this complaint.

I appreciate that Mr W doesn't think this is sufficient but taking all of the above into account, I consider that the proposed compensation is fair and reasonable in all the circumstances of the complaint.

My final decision

My final decision is that I uphold the complaint. In full and final settlement of it, WorldPay (UK) Limited should pay £500 to T.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 11 April 2023.

Raj Varadarajan
Ombudsman