

The complaint

P, a limited company complains that Barclays Bank Plc trading as Barclaycard delayed processing a customer's payment, which in turn led to a chargeback by P's customer.

P wants Barclaycard to refund the money it took and pay compensation for the stress caused and damage to P's reputation.

What happened

P has a merchant processing agreement with Barclaycard. On Friday 19 August 2022, P took a customer's card payment. As P would usually receive payment by the next working day, P arranged to deliver the customer's order on Tuesday 23 August 2022.

Around 23 August 2022, P noticed it hadn't received the payment into its account and contacted Barclaycard. Barclaycard agrees that it should've checked its system to find out when P's terminal last connected and advised P to carry out a test sale and end of day reading. This would've then forced the transaction for processing. Barclaycard says the stored transaction was forced through the next day - 24 August 2022.

Despite P copying its customer into emails with Barclaycard to try and explain what had happened and arrange delivery of the goods, P's customer had involved the police and wouldn't respond. P's customer later raised a chargeback which meant Barclaycard debited P's account.

The investigator agreed that when P contacted Barclaycard about the transaction, Barclaycard should have told P to carry out end of day banking to push the payment through. The investigator was satisfied that Barclaycard corrected the problem the next day so the funds were then received by P.

Barclaycard had already paid P £50 to apologise for the misinformation it gave to P. The investigator thought an additional compensation payment of £150 was fair and Barclaycard agreed. The investigator didn't think Barclaycard should refund the chargeback as it couldn't be held liable for the fact P's customer overreacted and involved the police.

P disagrees with the investigation outcome and says Barclaycard admitted its mistake and that the processing of the payment took 7 days not the contractually agreed 24 to 48 hours. P points out that its customer blamed P for not ordering the goods as the customer had seen money leave their account but not arrive with P until seven days later. P is very unhappy with the length of time it has taken Barclaycard to deal with its complaint.

P says Barclaycard didn't carry out the chargeback fairly as it didn't receive any written warning and wasn't given the chance to defend the claim before the money was taken. As this was a new complaint point, the investigator asked Barclaycard for evidence that it sent P notice of the chargeback. As the notice was sent to P at their old address, the investigator asked Barclaycard to confirm whether P had updated its address prior to sending the chargeback notice. Barclaycard said it had no record of P changing its address before it sent the chargeback notice and no letter had been returned as undelivered.

P remains very unhappy with the whole process and says Barclaycard breached the terms of its account, leaving P thousands of pounds in debt through no fault of its own. P says this has nothing to do with a change of address.

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.

I realise that I've summarised P's complaint in less detail than the parties and I've done so using my own words. The rules that govern this service allow me to do so. But this doesn't mean I've not considered everything that both parties have given to me.

To make sure that payments are received on time, Barclaycard's website and merchant processing guide recommend that merchants use their card machine to bank payments at the end of every day. Although P says it carried out end of day banking on Friday 19 August, Barclaycard doesn't have any record of this taking place and P hasn't provided a copy of the end of day receipt. Without this evidence, it makes it difficult for me to find that Barclaycard was at fault for the payment not reaching P's account by Monday 22 August as expected.

I appreciate P says Barclaycard has admitted that the payment processing was delayed due to a system error but I don't agree. Instead, Barclaycard said that for reasons unknown, the transaction stored in the terminal which can happen on occasions. It's for this reason why the end of day banking process is so important.

P says that it spoke to Barclaycard about the transaction on Tuesday 23 August 2022, so this appears to have been the first time Barclaycard was made aware of a problem. Barclaycard told P that a manual authorisation would need to be completed which could take 10 days. Instead, Barclaycard should have checked its systems to see when P's system last connected and then told P to carry out a test sale and end of day reading. This would have forced the transaction for processing – as happened on 24 August 2022.

I agree that Barclaycard made a mistake when it first spoke to P about the transaction but I don't consider its failure to provide the correct information lead directly to P's customer cancelling the order and raising a chargeback. This is because from what P has told us, its customer refused to take calls and emails from the point after it had spoken to Barclaycard on 23 August and had already cancelled the order. So, even if Barclaycard had given P the correct information that day, P would have struggled to explain this to its customer.

Even if I had found that Barclaycard made a mistake with the original processing of the transaction, it wouldn't change the outcome of this complaint because I don't consider it was reasonably foreseeable that P's customer would move so quickly to cancel the order and involve the police. Or that P's customer would refuse all contact so that delivery of the goods couldn't be arranged to take place just a few days late.

I appreciate P thinks Barclaycard debited its account without its permission but the merchant terms set out what happens in the event of a chargeback. If a merchant must pay Barclaycard back for a chargeback – as happened here – Barclaycard has the right to deduct the amount from the merchant's bank account. Barclaycard has also provided a copy of a letter addressed to P notifying it about the chargeback. This was sent to the address Barclaycard held on file for P and it has no record of the letter being returned as undelivered. So, based on the evidence I've been given, I don't have reason to find that Barclaycard didn't follow the chargeback process.

Overall, I consider the investigator's recommendation that Barclaycard pay P a further £150

is a fair way to resolve this complaint. It recognises the inconvenience caused to P when it had to contact Barclaycard more than it otherwise should have.

For the reasons outlined above, I don't require Barclaycard to refund the amount of the chargeback or pay more compensation than I've directed it to pay below. I appreciate that given the financial impact on P; my decision is likely to be very disappointing.

Putting things right

To put things right Barclaycard should pay P £150. For the avoidance of doubt, this in addition to the £50 Barclaycard has already paid.

My final decision

My final decision is that I uphold this complaint and direct Barclays Bank Plc trading as Barclaycard to make the payment outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 23 August 2023.

Gemma Bowen
Ombudsman