

## **The complaint**

Mr E complains about how NewDay Ltd ("NewDay") handled his request for a refund of money he paid to a third party. He also complains that NewDay decreased his credit limit without notice.

## **What happened**

In July 2022, Mr E paid £1,200 to a third party I'll call 'M' to supply and install a reconditioned gearbox and a new clutch kit. However, after the work was completed, Mr E found his car wasn't driveable and he subsequently learnt that M fitted the wrong gearbox.

Mr E asked NewDay to recover the money for him. They raised a chargeback, but this was defended by M and NewDay didn't pursue this further. NewDay then considered Mr E's claim under section 75 of the Consumer Credit Act 1974 ("section 75"). They refunded the £1,200 Mr E paid as they were satisfied M had breached their contract with him.

Mr E complained to NewDay about how they had handled this dispute. And he complained that NewDay had decreased his credit limit without notice which had left him concerned about how he would pay M for the work they'd carried out.

Our investigator didn't recommend the complaint should be upheld. So, Mr E's complaint has been passed to me for a 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.

I want to acknowledge that I've summarised the events of the complaint. I don't intend any discourtesy by this – it just reflects the informal nature of our service. I want to assure Mr E that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this.

I've firstly looked at how NewDay handled Mr E's request to reclaim the money he paid M.

NewDay initially raised a chargeback. A chargeback is the process by which payment settlement disputes are resolved between card issuers and merchants, under the relevant card scheme rules. What this means here is that NewDay can in some circumstances ask for a transaction to be reversed if there's a problem with the goods or services supplied by the merchant that the consumer paid for.

But the chargeback process doesn't give the consumer legal rights and it isn't guaranteed to result in a refund. It all depends on what the merchant says in response to the request the bank submits. There first must be a right to apply for a chargeback under the card scheme rules. And I'd consider it to be good practice for NewDay to raise a chargeback if it has a good chance of being successful.

It's important to note that chargebacks are decided based on the card scheme's rules, not the relative merits of a cardholder/merchant dispute. So, it's not for NewDay – or me – to decide whether Mr E should have been allowed to reclaim the money he paid to M. NewDay should raise the appropriate chargeback and consider whether any filed defence complies with the relevant chargeback rules.

Here, NewDay initially raised a chargeback, but this was defended by M. I note that Mr E feels that NewDay raised the chargeback under an incorrect reason code. However, even if that were the case, and NewDay had raised it under a more appropriate code, M still likely would have defended it in the same way that they did. As I've mentioned, it wasn't for NewDay to determine the merits of the dispute. So, while Mr E feels M's defence was weak, I'm not persuaded that it was weak enough to have meant that NewDay should have taken the chargeback any further forward. I say this because M's version of events, while disputed by Mr E, wasn't clearly contradicted by compelling documentary or verbal evidence.

Ultimately, NewDay refunded Mr E the money back via a section 75 claim. So, as far as I can see, Mr E hasn't suffered any financial detriment as a result of this dispute. I note also that NewDay has said that, if Mr E has suffered financial losses as a consequence of this dispute, then they will review this upon provision of evidence by him. I think that is a fair and reasonable position for him to take and I would expect NewDay to stand by this offer and consider appropriately any evidence Mr E sends to them about this.

I realise that Mr E had made a number of points about why and how NewDay handled matters poorly. I don't though intend to go through each point as I'm satisfied that, overall, Mr E hasn't been financially disadvantaged by how ultimately NewDay decided to attempt to settle the complaint.

I've also considered Mr E's complaint about NewDay decreasing the credit limit on his account. I realise that this would have come as a shock to Mr E. But, looking at the account statements for the months prior to NewDay's decision about this, I can see that Mr E was well within the credit limit and well within the proposed reduced limit. NewDay's terms and conditions do entitle them to keep credit limits under review and to offer to increase or to decide to decrease these. I don't think that they acted unfairly by choosing to decrease the credit limit bearing in mind the recent history of the account. And NewDay's letter set out that Mr E was entitled to keep his existing credit limit if he asked them for this to stay in place.

Ultimately, the decreased credit limit didn't, from what I can see, cause Mr E any financial detriment. So, I won't be directing NewDay to do anything in respect of this issue.

### **My final decision**

For the reasons set out above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 15 March 2024.

Daniel Picken  
**Ombudsman**