

## **The complaint**

Mr B complains about Lloyds Bank PLC's handling of his chargeback claim, along with the poor customer service provided.

## **What happened**

On 31 May 2023, Mr B contacted Lloyds to dispute two transactions of £1,000 (paid by debit card) and £250 (sent by faster payment) for repair work to his vehicle. He explained he wanted a dispute half of his total payments as he'd need take his vehicle elsewhere to get the works carried out to an acceptable standard.

Mr B says Lloyds asked him for evidence to support his claim but it gave him the wrong deadline date. When Mr B submitted his supporting evidence, Lloyds said it was out of time to raise a chargeback claim on his behalf. Mr B complained, explaining that he spent time and money to put the evidence together.

Lloyds issued its final response explaining it hadn't provided him with incorrect information. Unhappy with its response, Mr B referred his complaint to this service.

Upon referral to this service, Lloyds accepted that it provided Mr B with the incorrect date to provide further evidence to support his chargeback claim. After it reviewed things again, it noted that Mr B wasn't out of time for it to process a chargeback claim and it could have proceeded once it received the additional evidence from him. It made an offer to refund Mr B's disputed transaction of £1,000, plus £50 compensation. Mr B didn't accept this offer and one of our Investigators ultimately suggested that Lloyds should increase its compensation offer to £250, along with paying compensatory interest on the disputed payment. Lloyds agreed but Mr B didn't.

He said he was happy with Lloyds' offer to settle his debit card payment but he felt its offer of compensation was too low. Mr B doesn't think the compensation adequately reflects the distress and inconvenience this matter caused him.

The complaint has therefore been passed to me for determination.

## **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 uphold Mr B's complaint in part.

### ***Faster payment***

Mr B made payments towards the repair of his vehicle by debit card and faster payment. There wasn't an allegation of fraud on Mr B's part but he did dispute the quality of the works completed. Because of this, Lloyds would have had no recourse to attempt to recover his faster payment of £250. This is because there is no recourse in place for Lloyds to recover

disputed faster payments on the grounds of a dispute over the quality of works completed. Because of this, I don't find that Lloyds could have assisted Mr B with the recovery of this payment.

### *Debit card payment and chargeback*

Mr B's substantial payment of £1,000 was made using his Lloyds debit card. The chargeback process is relevant here. The chargeback scheme is a voluntary one and is not enforced by law.

A chargeback isn't guaranteed to result in a refund, there needs to be a right to a chargeback under the scheme rules and under those rules the merchant acquirer (on behalf of the merchant) can defend a chargeback if it doesn't agree with the request.

As Mr B disputed the quality of the works completed on his vehicle, I don't think Lloyds requesting an independent report from him was unreasonable in the circumstances. It is the expert in handling chargeback disputes and I don't think it would have requested this evidence if it didn't think it would support Mr B's claim.

I can't say with any certainty that Mr B would have achieved a full refund of this disputed payment had Lloyds processed a chargeback claim for him. By Mr B's own admission, works were carried out on his vehicle and at the time he raised his dispute with Lloyds, he said he felt obtaining half of the overall loss would be fair under the circumstances. As the repair company refused to refund Mr B any money or carry out works to rectify what Mr B described as not of a satisfactory quality, I think it's likely they would have sought to defend the claim. The claim may have needed to go through the full chargeback process to arbitration. We won't know what the outcome would have been and this is a result of Lloyds' error. I think it significantly hindered Mr B's chances of having his claim reviewed through the appropriate process. So, I think its offer to refund this disputed payment in full is fair and reasonable taking everything into consideration. I don't think it would be reasonable for Lloyds to refund Mr B's independent report costs as it explained this was required to help support what it described as a 'tricky claim'.

I do however acknowledge that Mr B went to effort to obtain the independent report and I think Lloyds has taken this into account when deciding to refund the disputed transaction of £1,000 in full. And given that Mr B has been without this money for some time, I don't think our Investigators suggestion to pay compensatory interest on this amount is unreasonable.

### *Customer service*

I found Lloyds to be helpful in assisting Mr B through the chargeback process steps. For example, when Mr B spoke with Lloyds on 31 May 2023 to report his claim, he explained to them that he'd been off work. The adviser asked if he needed any extra support with his banking. Mr B explained that he's receiving counselling, so he's having the support he needs because there's other stress that he's going through as well as this. He explained (in reference to his dealings with the repair company) that this was just something he didn't need with everything else that was going on.

However, I do think Lloyds providing an incorrect deadline for Mr B to provide his additional evidence and subsequently suggesting it didn't provide him with any deadline dates would have had an impact on him. Having listened to the calls myself, I heard that Lloyds told Mr B (on more than one occasion) he had until 22 July 2023 to submit the evidence it required. In my judgement, it had the opportunity to correct this error when Mr B contacted it to clarify the deadline date. It could have also processed his chargeback claim upon receipt of his additional evidence as even though it provided an incorrect deadline date to Mr B, he

submitted his evidence early and was therefore in time despite Lloyds' incorrect information. So when Lloyds told Mr B that he was out of time, I can appreciate how upsetting this would have been for him.

And when Mr B asked Lloyds to review the calls it had with him it advised that Mr B wasn't provided with a date to submit his claim and rather Mr B picked the date himself. This was poor on Lloyds' part. I think Mr B went to a lot of effort to obtain the evidence it said it required from him and provided it within the timescales Lloyds had given him. I think if Lloyds had taken more care to review the calls it had with Mr B, it would have found that it was at fault for providing him with the incorrect information. This would have spared Mr B the unnecessary worry and added stress.

I think it would be fair and reasonable for Lloyds to pay compensation for the distress and inconvenience this matter caused Mr B. I think £250 is reasonable in addition to its offer to refund Mr B's disputed debit card payment in full.

I acknowledge Mr B has provided additional evidence to support his claim for a higher award of compensation and I'm sorry to see he's gone through such a difficult time. I've reviewed his evidence and amongst other things, this shows that he was absent from work prior to his initial contact with Lloyds about his chargeback claim. Therefore, I don't think Lloyds caused him to be absent from work. It is also consistent with the initial conversation he had with Lloyds where he explained he was receiving counselling for 'something else'. And I also think his dealings with the repair company would have added to what was already a difficult time for him, so I don't think Lloyds was the cause of the difficulties he was experiencing. But I also think Lloyds didn't help matters by providing incorrect information which materially impacted Mr B's ability to bring his chargeback claim and so it should pay additional compensation, just not to the degree that Mr B expects.

In my judgement, the offer as it stands recognises the trouble Mr B went to in obtaining what it asked of him to support his chargeback claim. It also recognises its failings in providing incorrect information to him, which it had the opportunity to review and still failed to acknowledge that Mr B was given incorrect information.

### **My final decision**

My final decision is, I uphold this complaint in part.

Lloyds Bank PLC has already made an offer to pay £1,000 to settle the disputed debit card transaction portion of the complaint, so it should pay this. It should also pay 8% simple interest on this amount from the date it declined Mr B's chargeback claim to the date of settlement.

If Lloyds considers that it's required by HM Revenue & Customs to deduct income tax from the interest element of this award, it should tell Mr B how much it's taken off. It should also give Mr B a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

Lloyds Bank PLC should also pay £250 compensation for the distress and inconvenience this matter has caused Mr B.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 7 March 2024.

Dolores Njemanze

**Ombudsman**