

The complaint

Mr M complains that Lloyds Bank PLC (“Lloyds”) failed to help him recover money that was taken from his credit card for a boiler and heating repair plan.

What happened

Mr M had a boiler and heating repair plan with a company that I’ll call “D”. He says D sent him an e-mail to let him know the new premium figure at renewal, but he decided to use another company as the figure was too high.

In April 2023, Mr M received his Lloyds credit card statement and saw that D had taken £297. He called D to complain but they told him he couldn’t cancel the plan because he was outside of the 14-day cancellation period. Mr M asked for a refund, but D refused.

Mr M asked Lloyds for help in reclaiming the money. Lloyds raised a chargeback, but this was defended by the merchant. The merchant said they informed Mr M that the plan would renew but he didn’t contact them to cancel this before this happened. And they said Mr M didn’t then ask to cancel the plan until the 14-day cancellation period had passed.

Lloyds asked Mr M for any further evidence and comments to help them decide appropriate next steps. They say Mr M didn’t provide them with anything of note, so they didn’t take the chargeback any further.

Mr M complained to Lloyds, but they didn’t uphold his complaint. So, Mr M referred his complaint to us. Our investigator felt that Lloyds had considered the chargeback fairly and that, although they hadn’t considered whether Mr M had a valid claim under section 75 of the Consumer Credit Act (s.75), this wouldn’t have made a difference because there was no indication that D had breached their contract with him or misrepresented anything to him.

Mr M didn’t agree with our investigator’s view, so his 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.

There are typically two avenues here that Lloyds as the provider of credit could have considered.

Chargeback

In certain circumstances, when a cardholder has a dispute with a merchant, as Mr M does here, Lloyds (as the card issuer) can attempt a chargeback. The process involves the card issuer disputing payments made on the card through a dispute resolution scheme operated by the companies which run the card networks.

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 Lloyds 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 Lloyds – or me – to decide whether Mr M should have got his money back via this mechanism. Lloyds should raise the appropriate chargeback and consider whether any filed defence complies with the relevant chargeback rules. From what I've seen, that's what Lloyds likely did here. I'll explain why.

Lloyds raised a chargeback based on what Mr M told them about the transaction, which was that he didn't agree for the plan to auto-renew and that he wasn't told this would happen. D defended the chargeback on the basis that they had e-mailed Mr M and sent him a letter saying the plan would auto-renew and that he had to contact them if he didn't want this to happen before the renewal date. D sent Lloyds a copy of the letter and the e-mail they sent to Mr M. They also said to Lloyds that Mr M hadn't contacted them before the renewal date and so the plan was renewed. And they said that Mr M hadn't contacted them within the 14-day cancellation period to cancel the plan.

Where the merchant challenges a chargeback, as happened here, a bank doesn't have to carry out a detailed investigation into what actually happened to decide which party deserves the money. In fact, most banks won't take a chargeback any further if it's defended. In this case, Lloyds didn't take this further. I don't though think they acted unfairly by not doing so. They had sent been sent evidence showing D had e-mailed Mr M and sent him a letter about the auto-renewal. I've seen a copy of the e-mail and the letter, and both were sent with his correct contact details. The correspondence set out that Mr M needed to contact D if he didn't want the plan to auto-renew. But D said that Mr M hadn't contacted them to tell him he didn't want the new plan. And there was no evidence to show Lloyds that Mr M had contacted D about this. D also sent evidence to Lloyds that Mr M hadn't cancelled the plan within the 14-day cancellation period.

Lloyds did ask Mr M for any further comments or evidence so they could determine whether they should pursue the chargeback further. But I've not seen that Mr M sent more evidence to Lloyds that showed that D's defence was lacking in credibility or was inaccurate.

So, for the reasons set out above, I don't find that Lloyds acted unreasonably in respect of the chargeback.

s.75

In deciding what I think is fair and reasonable I need to have regard to, amongst other things, any relevant law. In this case, the relevant law is s.75 which essentially sets out that, in certain circumstances, if Mr M paid for goods and services, in part or whole, using credit (as he did here), and there was a breach of contract or misrepresentation by the supplier, Lloyds can be held responsible. I'm satisfied that the necessary criteria for Mr M to make a s.75 claim was met.

Lloyds didn't consider whether Mr M had a valid s.75 claim, and they should have done so. However, even if they had, I don't think it would have been successful. I say this because I've not seen that D breached its contract in any way or misrepresented anything to him. I've seen the terms and conditions of Mr M's plan, and this sets out that it would be renewed unless they were told by him not to do this. Mr M says he saw the e-mail from D about how much the new plan would cost. I've seen that e-mail and it does say that Mr M needed to contact them if he didn't want the plan to renew. But he didn't contact them about this. Nor did Mr M contact them within the 14-day cancellation period, which was a term contained within the renewed plan and something that was highlighted to Mr M in the e-mail D sent about the proposed renewal.

I appreciate that Mr M will be disappointed with my decision, and I accept that he had no intention of renewing the plan. But, for the reasons I've set out above, I don't find that there are grounds in which to uphold Mr M's complaint.

My final decision

I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 August 2024.

Daniel Picken
Ombudsman