

## **The complaint**

Mr M has complained about the service provided by Lloyds Bank PLC when he asked it for help claiming money back.

## **What happened**

To summarise, I understand Mr M received a call from a company I'll call "U" offering advertising services which at the time he thought would be helpful for a business he ran. I understand U took £94.80 from Mr M's Lloyds debit card in September 2022, and further payments were due to be taken monthly. Mr M wasn't happy with the service from U, so he contacted Lloyds for assistance.

Lloyds tells us it raised a chargeback and gave Mr M a temporary refund in October 2022. U declined the claim and said it had provided the service to Mr M. Lloyds said it put the claim through to pre-arbitration, but it was declined again. Lloyds said it noticed it raised the chargeback under the incorrect reason code. It said as this may have resulted in Mr M not getting a refund it decided to allow Mr M to keep the £94.80 refund, and it wrote it off as a loss. It also gave Mr M £50 for the trouble and upset caused.

From what I can see, U wrote to Mr M about the monthly payments being overdue. And U wrote to Mr M in June 2023 to say he had an outstanding balance and that it was going to commence legal proceedings if Mr M didn't pay. I think the balance was around £1,500.

Mr M decided to contact Lloyds. He said he was told U would have 30 days to respond to the chargeback and if it didn't the case would be closed. Lloyds said it was unable to provide advice outside of its remit due to legal restrictions. It said Mr M should discuss matters with U, and that it couldn't assist him further. It said it tried to support Mr M in getting his money back, and he kept the refund. But it doesn't automatically cancel any contracts he had with U. Lloyds said U still thought Mr M owed him money and so it couldn't do more on his behalf.

Mr M referred his complaint to our service. He said Lloyds told him he'd not have to pay more money to U, and that it was dealing with the case, so he'd not need to speak to U either.

Our investigator looked into things. He listened to several calls between Mr M and Lloyds. He said Lloyds based its advice on the information provided by Mr M, suggesting a subscription type agreement as opposed to a fixed contractual agreement. Our investigator noted Mr M had claimed he'd cancelled the contract within the cooling off period, but he'd not seen that was provided for under the contract with U. He didn't think he could hold Lloyds liable for the debt. However, he didn't think £50 was sufficient compensation. He thought another £100 should be paid.

Lloyds agreed with the proposal, but Mr M didn't. He said he was awaiting a court date and that U was asking him to pay nearly £2,000. He said listening to Lloyds put him in this position. He said he could have settled through mediation long before it got to this point.

As things weren't resolved, the complaint has been passed to me to decide.

## **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 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'm required to decide matters quickly and with minimum formality. But I want to assure Mr M and Lloyds 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 first want to say I'm sorry to hear Mr M felt misled and let down with regards to the purchase. I appreciate it cost a significant sum.

What I need to consider is whether Lloyds – as a provider of financial services – has acted fairly and reasonably in the way it handled Mr M's request for getting money back. It's important to note Lloyds isn't the supplier. I've gone on to think about the specific card protections that are available. In situations like this, Lloyds can consider raising a chargeback.

The chargeback process provides a way for a card issuer to ask for a payment to be refunded in certain circumstances. The chargeback process is subject to rules made by the relevant card scheme. It's not a guaranteed way of getting money back.

While it's good practice for a card issuer to attempt to chargeback where certain conditions are met and there's some prospect of success, there are grounds or dispute conditions set by the relevant card scheme that need to be considered. If these are not met, a chargeback is unlikely to succeed. And something going wrong with a merchant won't always lead to a successful claim.

Lloyds raised the chargeback, but said it used the wrong reason code. Lloyds decided to allow Mr M to keep the refund. And so, for the chargeback at least, Lloyds has put Mr M in the position he'd have been in had the chargeback been successful. Chargeback only covers the amount paid on card, and not any consequential losses. I don't therefore find Lloyds needs to do anything else with regards to refunding Mr M anything more in relation to the chargeback.

What Mr M seems unhappy about is that he said he wouldn't have found himself in the situation of owing U as much money had Lloyds not misadvised him. So I've thought about whether Lloyds did mis-advise Mr M and whether it needs to do anything else to put things right for Mr M. I've focussed on the calls from around the time Mr M contacted Lloyds to raise the dispute, as I think these are the most relevant.

I can see when first speaking to Lloyds about the transaction in September 2022 he explained he gave his card details to U for a service. He told Lloyds he felt U had misled him and that it wasn't doing what it was supposed to be doing. He said he'd requested a full refund from U, and that he'd tried to cancel within 14 days. He said he was worried and that it felt like a scam. He was also concerned U had asked him to complete a direct debit mandate or that it would seek to take payment from his debit card. I can see Mr M had to speak to a few different departments at Lloyds because it wasn't clear whether the fraud department or disputes department should be handling the request. Lloyds initially offered to cancel the card for Mr M, but then said it was able to block payments going to U.

Lloyds put a block on the card for Mr M and said it would take up to 48 hours to activate, and that it would be in place for 13 months. It said the recommendation was for Mr M to contact the merchant, but it appreciated that might not help much given what Mr M had told it. Lloyds reassured Mr M that if any payments went out to U, Lloyds would refund him. Lloyds said Mr M needed to give U 15 days to respond to his request to cancel, and that if it didn't he could raise a dispute, which is what he did by asking it to raise a chargeback. I can see Mr M was worried U might send bailiffs or debt collectors, but Lloyds reassured him he shouldn't feel threatened by that. Lloyds also reassured Mr M that U shouldn't be able to take payment from him by other means. It tried to reassure Mr M to not worry. It also explained a bit more about how the chargeback process would work. Mr M asked if he needed to worry about more than the £94.80 and Lloyds said no, and that the dispute should only be for that one payment. It said if Mr M was unhappy with how U responded after the 15 days he could call back.

I think Lloyds were attempting to give information to Mr M about the dispute based on what he told them. Lloyds put a block on payments to U as per Mr M's request. And it reassured him U wouldn't be able to take further payments from his card, which was correct. Lloyds was trying to help Mr M because he said he'd tried to cancel the service within 14 days, and he felt like it may have been a scam or that U wasn't doing what it promised. I understand Mr M's point that he was told he didn't need to worry. He didn't need to worry about U taking payments from his card. But as it turned out, U is saying the contract wasn't cancellable, and it continued to contact him about missed payments. Lloyds didn't say the contract with U was cancelled. It would have been unable to do that. Even if Mr M thought that's what it meant, I have to bear in mind U continued to contact him about missed payments.

Mr M spoke to Lloyds a couple of weeks after the call mentioned above because he was receiving demands from U. And he complained because he thought he'd been misadvised. He said on the call he thought the information Lloyds gave him previously was too good to be true, but that he trusted it. Again, Lloyds reassured him the dispute was ongoing. But this was the dispute in relation to the single payment that had been taken. It had let Mr M know he could go to Citizens Advice, but it wouldn't have been able to cancel the contact with U on his behalf. Lloyds tried to resolve things at this point by offering £50 compensation, but Mr M said he thought his complaint was worth at least £100 compensation.

I think part of the problem here is that Mr M was passed around departments. Lloyds said it raised the chargeback for an incorrect reason, and I think it could have managed his expectations better. The problem with having lots of different agents pick up the dispute meant they didn't know the full story. And when agents did speak to him, they based their advice on what Mr M was saying. Some of the information Lloyds gave would have seemed conflicting. At one point, Lloyds told him to ignore the demands and to contact the police or action fraud based on what Mr M had said. I don't think it should have told him to ignore the demands.

It seems the main issue here is that U is asking Mr M to pay money. That's not something Lloyds is responsible for. Given one payment was made by debit card, Lloyds was able to help with that payment, and it has been refunded. U has been asking Mr M to pay the balance of the contract, so Mr M would need to take that up with U direct. I understand U has sought to take Mr M to court over the outstanding amount. So, if that's not already happened, Mr M has the ability to argue his case in court on whether he should have been able to cancel, or whether U didn't carry out the service as promised. I have to bear in mind that Mr M has known since at least June 2023 when Lloyds sent its first final response that it couldn't assist him further with the dispute with U. But I agree Lloyds could have better informed Mr M sooner about what it could do to help.

Taking all this into account, I'm not persuaded Lloyds' actions are the cause of Mr M owing money to U. Even if Lloyds handled things perfectly, it's not clear sums wouldn't be owed to U. He owes money to U because he entered into a contract with it. I don't think there are sufficient grounds to direct Lloyds to clear any debt with U. I agree Lloyds could have handled the claim more efficiently and could have managed his expectations better. I think it was trying to help based on the evidence he gave it. But I can understand he must have been worried to keep receiving contact from U, that ultimately led to it starting court action. Lloyds missed opportunities to get to grips with the problem. Lloyds has allowed Mr M to keep the £94.80 that may or may not have been fairly due through chargeback. Lloyds has also agreed to pay £150 in total for the way things were handled (£100 more than the original offer). I think this seems broadly fair in all the circumstances, and I'm not going to direct it to do more. If it's already paid £50, it needs to pay a further £100.

### **My final decision**

My final decision is that I uphold this complaint and, to the extent it's not done so already, direct Lloyds Bank PLC to pay Mr M £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 May 2024.

Simon Wingfield  
**Ombudsman**