

## **The complaint**

Mrs K and Mrs W complain about the way in which Santander UK Plc handled their chargeback request when a holiday cottage they booked was not of a satisfactory standard.

## **What happened**

Mrs S and Mrs W have a joint bank account with Santander. In March 2023 they booked a cottage for a family holiday for 10 people through a company which I'll call "S". The rental for 7 nights from the end of July 2023 was £2,090. Mrs W made three payments to S using her Santander debit card, as follows:

- on 9 March 2023, a payment of £99.00;
- on 4 May 2023, a payment of £578.40; and
- on 15 June 2023, a payment of £1,412.60.

Mrs S and Mrs W (and their family) were not happy with the accommodation. Their concerns included the following:

- The property was generally in a poor state of repair.
- The dining facilities were inadequate for a party of 10.
- The property had not been cleaned.
- One of the toilets was cracked, so one of the bathrooms could not be used.
- A guard rail was missing from a bunk bed.

Four of the guests left after two days because of the standard of the property. Attempts to resolve the issues with the owner of the property and with S were unsuccessful, and so Mrs K and Mrs W referred the matter to Santander by making a chargeback claim.

Santander's initial response to the claim was to say that it could not be processed as it had been made outside the 120 day time limit set by the relevant card scheme – in this case, Mastercard. It subsequently acknowledged that the time limit in such cases runs from the date the service should have been provided, not from the date of payment. But it said that chargeback did not apply in cases where it was alleged that services were defective. It declined to submit a chargeback claim.

Santander acknowledged that it had not handled things as well as it should have done. It had not, for example, properly communicated its decisions about the claim. It paid Mrs K and Mrs W a total of £275 in recognition of that. They remained unhappy, however, and referred the matter to this service.

One of our investigators considered what had happened but did not recommend that the complaint be upheld. She concluded that Santander was within its rights to decide not to submit a chargeback claim. Mrs K and Mrs W did not accept the investigator's assessment and asked that an ombudsman review the case.

## **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, however, I have reached the same conclusions as the investigator did, although for slightly different reasons – which I shall explain.

Chargeback is an arrangement operated by the card schemes to deal with issues around the settlement of card payments. Those payments are made between the card issuer (here, Santander) and the business which provides card services to the merchant, called the merchant acquirer. The merchant here was S, so the merchant acquirer is likely to have been its bank. The cardholder and the merchant are not directly involved, although chargeback will in many cases have the effect of dealing with disputes between them.

As the investigator noted, the scheme is optional, but only in the sense that a card issuer is not obliged to make a chargeback request solely because a cardholder asks them to do so. But this service takes the view that a card issuer should do so where there is a reasonable prospect of success. I have therefore considered whether Santander should have made a chargeback claim and, if so, whether it would have been successful.

The underlying claim here is that the accommodation was not as described and/or was of an inferior standard to what it should have been. I should at this point discuss briefly the contractual arrangements.

S's terms and conditions said that it acted as agent for the property owner in arranging the booking and taking payment. The terms also said that the rental contract was with the owner, who alone was responsible for the property and the services linked to it. It said that S was not responsible for anything to do with the rental itself. That was the responsibility of the property owner.

It is not for me to decide whether Mrs K and Mrs W might have a valid claim against either S or the property owner. But the contractual arrangements between each of them are in my view relevant to the reasonableness of Santander's decision not to pursue a claim and to the likelihood of success of any claim which might have been made. It is also relevant that the payments were made to S, not to the property owner.

Santander's original decision not to pursue a chargeback claim was based on the erroneous assessment that the claim was brought outside the relevant time limits. In my view, it should have identified that, where payment is made for an event which is to happen in the future (such as a concert or holiday), time runs from the date of the event, not the date of payment. So, rather than declining the claim on that basis, Santander should have considered other factors.

Santander subsequently said that chargeback was not available where the claim was that services were defective. Again, that is not correct. Mastercard's chargeback reasons include where goods and services do not conform to their description. That was the claim which Mrs K and Mrs W were making in this case. Again, I believe that Santander should have considered whether it had enough information and evidence to submit a claim and, if it didn't, what else it needed from Mrs K and Mrs W. By the time it had addressed that issue, it was too late to submit a chargeback claim.

I do not believe therefore that Santander handled the claim as well as it should have done. That is not to say, however, that it should have made a claim.

Santander should have considered whether any claim was likely to succeed before deciding whether to proceed with one. As I have explained, the chargeback process is primarily a means of dealing with issues arising from payment settlements. In some cases, that may have the effect of resolving disputes between consumers and merchants – for example, where goods are not received, refunds are agreed but not processed, or where duplicate payments are taken. But chargeback is not always appropriate where – as in this case – there is a genuine dispute about the quality of goods or services.

In this case, I believe it is almost certain that S would have sought to defend a chargeback. It could show that it had provided the services it says it agreed to provide (the service of booking the holiday and dealing with payment arrangements), that its contract said it accepted no responsibility for the accommodation, and that the property owner had not accepted liability either.

In the circumstances, it is my view that it would have been reasonable for Santander to take the view that any chargeback claim was unlikely to succeed, even if it had been made in time. It is also my view that, even if Santander had taken a different view or had decided to make a claim in any event, that claim was unlikely to have been successful. It follows that any failure of Santander to make a chargeback claim did not lead to any financial loss on the part of Mrs L and Mrs W.

### **My final decision**

For these reasons, my final decision is that I do not uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs S and Mrs W to accept or reject my decision before 25 November 2024.

Mike Ingram

**Ombudsman**