

The complaint

Miss C complains that Lloyds Bank PLC (“Lloyds”) failed to raise a chargeback in relation to payments she made to a company for spray foam insulation.

What happened

In 2022, Miss C agreed to enter a contract with a company I’ll call “E” for spray foam insulation to be applied to her loft space. Miss C made two payments to E for the work to be carried out. The first payment was made by her on 26 July 2022 for £500 and the second was made on 10 August 2022 for £2,600.

Miss C got in touch with a third-party claims management company (who no longer represent her), who I understand help arranged to remove the spray foam from Miss C’s loft space. This company say they sent Lloyds a letter of claim on 17 November 2022 explaining that E had misrepresented the spray foam product to Miss C and that E didn’t apply it correctly to her property. They asked Lloyds to refund Miss C the payments she made to E and to refund her the cost of the removal of the spray foam.

Lloyds replied saying that Miss C was out of time to make a chargeback to recover the money she’d paid E and said they hadn’t received the letter of claim from Miss C’s representative.

Miss C wasn’t happy with Lloyds’ reply and so referred her complaint to our service. One of our investigators looked into what happened but didn’t recommend that the complaint should be upheld. He felt that Miss C was out of time to raise a chargeback and wasn’t persuaded that Lloyds had received Miss C’s letter of claim.

Miss C remained unhappy and so her 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 that I’ve summarised the events of the complaint to quite some degree. I don’t intend any discourtesy by this – it just reflects the informal nature of our service. But I want to assure Miss C 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.

Where the evidence is incomplete, inconclusive, or contradictory, I reach my conclusions on the balance of probabilities – that is, what I think is more likely than not to have happened based on the available evidence and the wider surrounding circumstances.

As Miss C made the payments to E using her debit card, the only way Lloyds could have helped her to recover this money was through the chargeback process. I’ll briefly explain what this is.

In certain circumstances, the chargeback process provides a way for a bank to ask for a payment Miss C made to be refunded. Where applicable, the bank raises a dispute with the supplier and effectively asks for the payment to be returned to the customer. While it's good practice for a bank to attempt a chargeback, where the right exists and there is some prospect of success, the circumstances of a dispute mean it won't always be appropriate for the bank to raise a chargeback. There are grounds or dispute conditions set by the relevant card scheme and if these aren't met, a chargeback is unlikely to succeed.

Lloyds say that they didn't receive the letter of claim outlining Miss C's reasons for requesting a chargeback and say they weren't made aware of Miss C's dispute until she went into one of their branches on 6 December 2022. And by that time the relevant chargeback time limit had expired.

I'll return to the issue of whether Lloyds received the letter of claim a bit later in my decision. Firstly, I'll consider what chargeback dispute condition was relevant and the time limit applicable to this.

The company who initially represented Miss C set out in their letter of claim several different reasons why they felt E had misrepresented the spray foam product to her, and why they hadn't installed it correctly. Lloyds though wouldn't have been able to use all these reasons in raising a chargeback; they would have had to pick the most appropriate and relevant one to the dispute and the one that in theory may have had the most reasonable prospect of success.

The relevant card scheme here was VISA. Having considered the matter, I think it more likely than not that the relevant dispute code applicable for the goods and services Miss C purchased was 'not as described or defective merchandise/services'.

That code set out that the chargeback needed to be processed within:

- 120 calendar days of either:
 - The transaction processing date.
 - The date the cardholder received the merchandise or services.

Lloyds took the time limit to start from the date Miss C received the services, which here was the date E installed the spray foam, this being 1 August 2022. That seems to me to be a correct interpretation of the scheme rules. That meant that Miss C had 120 calendar days from 1 August 2022 to raise the dispute with Lloyds in order for them to consider raising a chargeback. So, Lloyds needed to receive information about the dispute by 29 November 2022.

Lloyds say they didn't receive anything about the dispute until Miss C visited one of their branches in December 2022. If that is correct, then it appears that this was beyond the 120 days from when Miss C received the goods and services. So, I've considered whether Lloyds received Miss C's letter of claim.

Although I can't be sure, I think it more likely than not that Lloyds didn't receive the letter of claim from Miss C's representative at the time. I say this noting that Miss C recently spoke to one of our investigators and said that her representative had confirmed to her that they

hadn't sent the letter of claim to a correct address of Lloyds and offered her compensation because of this.

So, it seems more likely than not that the chargeback Miss C sought to make was made to Lloyds outside of the card scheme time limits. Even if I'm wrong about this, and the information was received in time, I note that one of the other conditions that had to have been met was for Miss C to have first attempted to resolve the dispute with E (or their liquidators if applicable). I've only though seen that Miss C's representative at the time attempted to correspond with Lloyds; I've not seen any evidence that E was contacted about this.

I've mentioned in my decision that the most likely appropriate reason code was in relation to goods and services being 'not as described or defective merchandise/services'. Lloyds may have also considered the reason code 'misrepresentation' as being appropriate bearing in mind Miss C has said E misrepresented the product to her. However, the same time limits and requirement to resolve the dispute with E applied to this as it did for the 'not as described/defective merchandise/services' reason. So, it wouldn't in my view have made a difference if Lloyds had potentially considered 'misrepresentation' as a more appropriate reason code.

So, all things considered, I think Lloyds' decision not to raise a chargeback wasn't unreasonable. I appreciate that this will be very disappointing for Miss C, but it follows that I won't be upholding her complaint as a result.

My final decision

For the reasons I've given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 10 April 2025.

Daniel Picken
Ombudsman