

The complaint

Mr G complains that Lloyds Bank PLC declined his chargeback claim about a hired car, and did not respond to his claim for compensation under section 75 of the Consumer Credit Act 1974 ("section 75").

What happened

In January 2023 Mr G complained to Lloyds that a third party, which I will call E, had charged £828:42 to his credit card in December 2022. He said he didn't recognise this transaction. Lloyds raised a chargeback dispute, and meanwhile it re-credited the money to his account.

E defended the chargeback by saying that the transaction had been authorised by Mr G. It said that in June 2022, Mr G had hired a car from E. The original hire period had been for two months, but this was later extended to December. E provided its invoice and other evidence in support of its defence, which showed that the transaction had been authorised by Mr G with chip and PIN. Lloyds shared this information with Mr G, and then declined the chargeback and re-debited the transaction from his account.

Mr G complained that he had not been given an opportunity to respond to E's representations, because he had been unable to open Lloyds' secure emails. Lloyds paid him £70 for some customer service issues, but it did not uphold his complaint about the outcome of the chargeback dispute.

Mr G says he then asked Lloyds to compensate him under section 75, which makes Lloyds liable for any misrepresentation or breach of contract by E, but Lloyds did not respond. Mr G then brought this complaint to our service. He said that Lloyds should have refunded him, either under the chargeback process or under section 75.

Our investigator did not uphold this complaint. He said that it appeared that there had been a dispute about whether Mr G or his insurer was responsible for paying E, but that didn't mean that Mr G had not authorised the credit card payment to E. He said that chargeback was not a suitable process for handling that kind of dispute. He thought that E had provided a robust defence to the chargeback, and that Lloyds could not be faulted for not pursuing it any further. As for section 75, the investigator thought that Lloyds had failed to consider that remedy, but he did not agree that there had been any misrepresentation or breach of contract by E. So he concluded that Lloyds was not liable under section 75. He added that £70 seemed like fair compensation for the communication failures.

Mr G did not accept that decision. He asked for an ombudsman to review this 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, I do not uphold it. I will explain why.

So far as the chargeback is concerned, I agree with my colleague. E supplied sufficient evidence to show that the credit card payment had been authorised by Mr G. Lloyds could not have continued to pursue the chargeback. Aside from re-crediting the transaction twice, and then having to re-debit it twice, I don't think Lloyds mishandled the chargeback, and I think that £70 is fair compensation for that error.

It's unfortunate that Mr G was unable to open the bank's secure emails, but they are secure for a reason. The Financial Ombudsman Service also sends secure emails, so I don't think it would be fair for me to uphold a complaint about the banks doing that. However, even if Mr G had been able to open those emails and see what evidence E had provided, I can't see what he could have sent to Lloyds in response that would have altered the outcome of the chargeback dispute. So while it must have been frustrating for him, I don't think he was financially disadvantaged by that.

Whatever dispute there is, or was, between Mr G and his insurer falls out of the scope of the chargeback scheme; it wasn't something that Lloyds could take into account.

Turning to section 75, Lloyds has shared its internal account notes with our service in confidence. I can't share them with Mr G, but I can tell him that there is an entry dated 31 January 2023 which says that his section 75 claim was declined because there was no evidence of a breach of contract by E. Lloyds sent Mr G an email about that, so I suppose it was one of the emails he was unable to open. Nevertheless, I think that was a reasonable decision for Lloyds to make, since I have not seen evidence of a breach of contract or misrepresentation by E for which Lloyds would be liable under section 75.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 24 May 2024. But apart from that, this final decision brings to an end our service's involvement in this matter.

Richard Wood
Ombudsman