

The complaint

Miss S is unhappy with how Bank of Scotland plc trading as Halifax (BoS) handled her chargeback claim for a faulty car.

What happened

In June 2022, Miss S used her debit card on her Bank of Scotland (BoS) account to make payments of £295 and £4,295 to buy a second-hand car. She purchased the car online, and the car was delivered to her home.

In July 2022 Miss S contacted BoS to raise a chargeback claim. She said that the car had been mis-described. She'd bought the car online. She said that she noticed a number of faults after it had been delivered to her. She said the dealer who had supplied the car had agreed on three occasions to collect the car and refund the payments she had made. She said the dealer had failed to turn up on each occasion.

She's unhappy with BOS' handling of her claim. She said they told her the wrong information on more than one occasion, they closed her case for no reason, and did nothing with the report she'd submitted.

She said they initially told her she needed an independent report. She said she raised the complaint on 23 July 2022, and submitted an independent report on 20 August 2022, but she said that BoS didn't raise this with the dealer until 12 October 2022, when she received the credit back into her account.

She's unhappy that BoS closed her chargeback claim after the dealer disputed the claim. She said BoS didn't show her the evidence the dealer had provided when disputing her claim. She said she was told there was nothing more BoS could do unless she provided confirmation that the dealer had collected the car and agreed to refund the money she'd paid.

She said BoS also told her that they couldn't refund as she still had the car. She said she'd explained to them previously that the dealer had said they would collect the car but never did.

BoS upheld her complaint about their handling of her chargeback claim. They paid her £80 for the conflicting information she was given about the need for an independent report. They also said that they had closed the claim because it had been disputed by the dealer. They said the dealer had provided evidence that the car had passed an MOT and was as described at the time of sale.

Miss S didn't agree and complained to us. Our investigator looked into things and said that BoS hadn't acted unfairly. She noted that they should have been clearer with Miss S about the chargeback process, the time they took, and the contradictory information they gave her.

She said that because the dealer didn't agree that the car was faulty, that on its own was enough to mean the chargeback didn't succeed. So she didn't think BoS did anything wrong.

Miss S disagreed. She felt that BoS didn't do all that they could have done to help her, and our investigator's award for distress and inconvenience didn't reflect what she had been through.

Miss S asked for her complaint to be passed to an ombudsman for a decision.

I issued a provisional decision on 15 March 2024. I reached the same outcome as our investigator, but I felt an award for the distress and inconvenience caused to Miss S was appropriate. Here's what I said:

Miss S wasn't satisfied with the quality of the car she paid for with her BoS debit card. And that is what triggered her claim to BoS for a refund under the chargeback rules.

I won't be considering whether or not the car was of satisfactory quality. Chargebacks are decided based on the card scheme's rules, not the relative merits of the issue at dispute. So it's not for BoS, or me, to decide whether Miss S should be allowed to reject the car and get her money back. This complaint is about BoS' handling of Miss S' chargeback claim. So I'll consider whether or not BoS did anything wrong in the way that they handled the chargeback claim.

A chargeback is the process by which payment settlement disputes are resolved between card issuers and merchants, under the relevant card scheme rules.

This means that BoS can ask for a transaction to be reversed if there's a problem with the goods or services supplied by the merchant that the consumer paid for. It's important to note that the chargeback process doesn't give the consumer any new or additional legal rights.

And it isn't guaranteed to result in a refund. That depends on what the merchant says in response to the request the bank submits.

Miss S submitted her chargeback claim after trying to resolve the complaint with dealer who supplied her with the car.

BoS was required to raise the appropriate chargeback and consider whether any filed defence complies with the relevant chargeback rules.

I've listened to the calls between Miss S and BoS. It's apparent that Miss S was keen to understand what information she needed to submit to support her claim. She was, understandably, reluctant to pay for a diagnostic report if one wasn't necessary. So she queried this point with them, and got contradictory answers. I'm satisfied she was always willing to present the necessary information – but she never got a clear answer.

They told her she'd need an independent report, and that it would be difficult to pursue a chargeback whilst she was still in possession of the car.

But later in August 2022 Miss S was told they could accept her photographic evidence, and they could ask her for the report later if they felt they needed it. She was then told a few days later, when she called for an update, that they needed an independent report. I've no doubt that a full diagnostic report by an independent party would be stronger evidence, but BoS left Miss S unsure whether or not it was necessary. And to avoid any costs she obtained a "vehicle health report".

BoS did pursue the chargeback claim. They said they submitted the evidence Miss S provided – including the photographs and the independent report she provided. The claim was disputed by the dealer who said the car had a valid MOT.

BoS said that the dealer declined the claim. I've seen the response from the dealer (and we've provided a copy to Miss S). So I'm satisfied BoS raised the chargeback claim.

Visa's chargeback rules, under which this claim was made, set out what evidence a merchant (in this case the dealer) should provide if it intends to challenge a dispute. This includes evidence to prove that the car matched what was described, and was not damaged or defective. It should also set out why it disagrees with the claim made by the cardholder (Miss S).

The dealer responded to the chargeback claim with evidence. It provided a pre-delivery inspection invoice, RAC warranty paperwork, a sales invoice, receipts for parts purchased to do repairs before the car was supplied, a recent MOT pass, along with its reasoning why it believed the car was of satisfactory quality and had not been misdescribed.

I make no comment on the reliability of the response – other than to say it was a valid response in line with the chargeback rules.

Because the dealer challenged the chargeback, BoS doesn't have to carry out a detailed investigation into what actually happened to decide which party deserves the money. Many banks won't take a chargeback any further if it's defended. In this case, BoS responded to the dealer's evidence, but then decided not to take the dispute any further because they didn't think it had a reasonable prospect of succeeding. I can't say that BoS made any mistake or acted incorrectly by making that decision.

I've considered the relevance of Miss S still being in possession of the car. I've no reason to doubt her testimony that the dealer told her the car would be collected. That never happened. But that doesn't change the outcome here. I say that because, as I've said above, the dealer submitted a valid rebuttal to the claim, and that was enough for BoS not to proceed with the claim.

I realise that Miss S feels that BoS didn't act reasonably as she had to contact them for appropriate advice and an update on her chargeback claim. Miss S also says that she wasn't given a chance to provide any further evidence to BoS about her claim. I don't though think that Miss S would be in any different position because of this. Bearing in mind how the chargeback process works I've seen no reason why BoS should have taken the matter further. As I've said, the merchant provided a defence and a further challenge to that would I think likely have resulted in it being defended again.

I recognise Miss S's strength of feeling about all that's happened here. And I have no doubt that this has been a very stressful experience for her as she's ended up with a car that she's unhappy with and says requires repairs. But I can't fairly and reasonably ask BoS to return the money to Miss S in circumstances where the chargeback hasn't succeeded.

But I do find that her chargeback claim wasn't appropriately dealt with by BoS. She had to make numerous calls to BoS, and it's clear from these that was because she didn't understand what information she needed to provide. I've listened to those calls, and she wasn't given deadlines, and she was given contradictory information about the need for an independent report – and its cost.

Putting things right

BoS agree that the claim wasn't handled well, and they offered £80 compensation. I don't think that addresses the distress and inconvenience caused to Miss S. I can hear her frustration in the calls. She's obviously confused about what she needs to do, and not aware

of deadlines imposed by the chargeback scheme. It appears that BoS didn't know, or weren't able to explain, what had been done, or even whether or not the chargeback had been raised. This contributed to Miss S's distress. And I can see she told them it was causing her stress.

This could have been avoided with clearer communication and instructions. Her distress is clear from the calls. For that distress and inconvenience I think an award of £200, in addition to the £80 already offered, is appropriate.

Responses

BoS didn't respond to my provision decision. Miss S did. She acknowledged that I had recognised the poor service and the impact this had on her. But she didn't think my provisional decision considered the full impact on her.

She said I hadn't considered the number of occasions BoS didn't return calls when they said they would. She described how the stress they caused her made her take sick absence from work, and ruined a long planned holiday.

She also highlighted that the reason she got a "health check" was not because she was trying to save costs, but because that was all she could get at such short notice.

She also queried my finding that the merchant's response was valid, and why I put less importance on the need for the car to be returned to the dealer.

She said that if she'd known the chargeback would have had a better chance of success if she'd supplied a more detailed report on the car, and evidence she'd attempted to return it, then that's what she would have done.

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.

As BoS didn't respond I'm taking this to mean they don't object to my provisional decision

I thank Miss S for taking the time to respond in a clear and concise manner. I've carefully considered her comments. My award of £200 on top of the £80 BoS already offered by BoS took into account the whole episode as she described it. I came to this conclusion after reading all of her testimony, listening to the calls, and reading BoS's system notes. I think it fairly reflects the impact of BoS' failings on her. There were repeated failings by BoS over several weeks, and these caused Miss S emotional distress.

I've reached my decision based on the Chargeback rules, and all of the available evidence. I've put less weight on the fact that the car was returned – that's because I don't think it would have made a material difference here. The merchant would still have submitted a valid response, and one that BoS would not have challenged. I know Miss S challenges the validity of the merchant's response. She says it's fabricated. But that would be difficult for BoS to challenge, so I don't think it was unreasonable for them to conclude that the claim would be unsuccessful.

Putting things right

BoS should pay Miss S £200, in addition to the £80 already offered, to reflect the distress and inconvenience their poor handling of her chargeback claim caused her.

My final decision

For the reasons I've explained above I uphold Miss S's complaint. Bank of Scotland plc trading as Halifax should put things right in the way set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss S to accept or reject my decision before 22 April 2024.

Gordon Ramsay
Ombudsman