

The complaint

B, a limited company, complains that Tide Platform Ltd (Tide) unfairly refused to refund money after it raised a chargeback request.

B is represented in its complaint by a director of B, Mr H.

What happened

In September 2023, B was charged £315 for work conducted by a third party business. For ease, I will refer to the third party business as the merchant. Mr H says the merchant verbally quoted £150 for the work. As he suspected B had been overcharged, Mr H asked the merchant for an invoice so he could see how it had arrived at £315.

Mr H says the merchant has acted illegally by refusing to supply an invoice. So, he wants Tide to refund the money paid.

Tide dealt with B's chargeback dispute through its' finance partner but for ease, I will continue to refer to Tide throughout this decision.

Tide said that without written evidence of the amount the merchant was supposed to charge B, it could not raise a dispute based on an overcharge. Tide suggested that B contact the local authority about the merchant's failure to supply an invoice.

Tide told B that it could not raise the chargeback under section 75 of the Consumer Credit Act as the Tide card is a prepaid Mastercard, not a credit card. Tide suggested that B contact the merchant direct to try and resolve the matter.

Our investigator didn't uphold B's complaint. He said that without written evidence of the actual charge agreed, a chargeback based on the reason code 'Transaction Amount Differs' could not have succeeded.

Our investigator didn't agree that there had been a fraudulent transaction as Mr H had paid for the work conducted on the day. Our investigator didn't agree that Tide was responsible for reporting the merchant to the local authority.

Mr H was unhappy with the investigation outcome. He said our investigator had not addressed the fact the merchant accepted payment from B on the express condition that it would supply an invoice.

Mr H said that the merchant has acted in a potentially fraudulent manner. He referred to Mastercard rules which say a merchant should not submit an illegal transaction as the basis on which Tide should have processed B's chargeback request.

Our investigator went back to Mr H to say he still thought Tide managed B's chargeback request fairly. Our investigator said that although Mr H thinks the merchant acted fraudulently, B never disputed receiving the services provided. Our investigator said that it would be up to the courts to decide whether any illegal activity had taken place.

Mr H remains unhappy and says our investigator has not supplied evidence which contradicts his position that the merchant acted illegally by not supplying an invoice. Mr H says a chargeback is justified as the Mastercard rules prohibit using the card to commit an illegal act. Mr H also clarified that he had not said the merchant acted in a fraudulent manner, instead saying it had potentially acted in a fraudulent manner and that it was up to Mastercard to decide this.

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.

Chargebacks can be used by a card issuer to claim money back from a merchant's bank when a customer disputes a transaction. Banks don't have to attempt a chargeback when asked. But we take the view that it's good practice to do so where there is a reasonable prospect of success.

It is possible to raise a chargeback where there has been an incorrect transaction amount. Incorrect transactions can include keying in the wrong amount, transposing numbers or making an error when calculating the total amount. Although Mr H says he agreed to pay £150, the third party asked for more than this, and Mr H authorised the transaction. So, I can't say there was an error or overcharge.

Even if I was wrong about the transaction not being incorrect, the card scheme rules require B to provide supporting evidence of what the correct transaction amount should have been. Mr H's testimony and copy emails are not sufficient to meet the card scheme rules to demonstrate that there was an incorrect transaction. So, I don't consider it was unfair of Tide to say that it would not proceed with the chargeback based on an overcharge.

I have thought carefully about Mr H's point that the merchant potentially acted in a fraudulent manner and that this should have made a chargeback possible. I don't want to appear dismissive of what Mr H says, but I don't agree with his analysis.

It may be the case that the merchant is in breach of contract when it failed to supply an invoice after agreeing to do so. But I don't think this is evidence that the transaction was illegal or that the merchant processed the transaction in violation of the card scheme rules. Instead, I consider this to be a civil matter, better suited for the courts to decide than Tide to rely on as a reason to process the chargeback request.

Mr H has referred to online guidance which says if a merchant and customer are both registered for VAT, by law, the merchant needs to give the customer an invoice. But I think any failure to supply a VAT invoice is something that Mr H should take up with HMRC.

I also note from the evidence Mr H has supplied that he asked the merchant to send an invoice to B's individual customer, rather than B itself. Presumably B's customer is not a business registered for VAT. So, there would be no legal obligation on the merchant to provide the customer with an invoice. As I have said, I think this is something that either the courts or HMRC is better placed to address.

Based on the evidence I've seen; I don't agree Tide made a mistake when it declined B's chargeback request.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 7 June 2024.

Gemma Bowen
Ombudsman