

## **The complaint**

Mr C complains that Nationwide Building Society did not pursue a chargeback claim when a card payment was taken without his authority.

## **What happened**

In or about December 2023 Mr C took out a loan with B, a business which specialises in providing finance for car repairs. Under the agreement, Mr C was to pay B £131.28 a month. He gave authority for B to take payments using the details on his Nationwide debit card. Payments were taken without any issue in December 2023 and in January and February 2024.

A further payment was taken and debited to Mr C's Nationwide account on 8 March 2023. By this point, he was in the process of setting up a debt management plan with the help of an adviser, which I'll refer to as "D". Under the plan, he would make payments to D, which would negotiate affordable payments with his creditors. Exchanges between Mr C and D indicate that the intention was to include B in the plan.

Mr C contacted Nationwide to say that the payment taken on 8 March 2024 should not have been taken, since there was an agreement (because of the debt management plan) that the monthly payments of £131.28 would stop. Nationwide raised a chargeback and re-credited Mr C's account on 9 March 2024.

B defended the chargeback. It referred to the loan agreement which Mr C had taken out and said that monthly payments were still due. Nationwide decided not to pursue the chargeback any further and, on 29 March 2024, Mr C's account was re-debited. This took the account into an overdrawn position until Mr C arranged for funds to be transferred a few days later. The overdraft was interest-free.

Nationwide acknowledged that it should have given Mr C notice that it was going to re-debit his account, so that he was in a position to cover the payment. It paid him £100 in recognition of that, but said that it had been correct to re-debit the account.

Mr C referred the case to this service, where one of our investigators considered what had happened. She did not recommend that the case be upheld, however. She agreed that the payment had been properly taken and that £100 was sufficient to compensate Mr C for the fact he had not been given proper notice of that.

Mr C did not agree 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.

Where goods or services are paid for with a debit or credit card and a dispute arises, it is often possible to resolve that dispute through the chargeback process. Chargeback is a

scheme run by the card schemes (in this case, VISA). A card issuer (here, Nationwide) raises a claim through the scheme against the merchant's provider of card facilities. That provider will then consider whether the claim meets the relevant criteria for chargeback (if necessary, seeking evidence from the merchant) before responding to the claim. Where necessary, the scheme provides for arbitration between the financial businesses.

There is no legal or regulatory obligation on a card issuer to pursue a chargeback claim, but this service takes the view that they should do so where there is a reasonable prospect of success.

Based on what Mr C told Nationwide about the disputed payment, it did appear that there were good grounds for a chargeback claim. He said that the payment was not authorised, and Nationwide submitted the claim on that basis. However, B disputed that and referred to the loan agreement which Mr C had taken out a few months earlier.

Mr C said that he had cancelled the loan, because it was included in his debt management plan. The exchanges between Mr C and D show that it was included in their discussions – along with debts which Mr C owed to other creditors. I do not believe however that there was any evidence that, when the payment was taken on 8 March 2024, B had agreed to any new arrangement. Its case was that the loan agreement was still running.

It is not for me to say whether the loan agreement had in fact been cancelled by the time the disputed payment was taken. What I must consider is whether Nationwide should have pursued the chargeback any further than it did. In my view, it was reasonable for it to take the view that, in the light of what B had provided, doing so would not lead to a successful outcome for Mr C.

I do note however that Nationwide agrees it should have told Mr C that it was going to re-debit his account. Had it done so, it is likely that Mr C would have been able to take steps to avoid going overdrawn. The overdraft was, however, interest free, and so I agree with the investigator that £100 is fair compensation in the circumstances.

### **My final decision**

For these reasons, my final decision is that I do not uphold Mr C's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 4 February 2025.

Mike Ingram  
**Ombudsman**