

The complaint

A company, which I'll refer to as C, complains that, due to a failure in the service provided by First Merchant Processing (Ireland) Limited (trading as AIB Merchant Services (AIBMS)), it wasn't able to take payments from its customers online through one of the major card schemes for a week.

Mr C, who is a director of C, brings the complaint on C's behalf.

What happened

The circumstances of this complaint are familiar to both parties so I will only summarise the key events.

C operates a website through which it sells its goods. However, for six days in December 2023, it was unable to take online payments through one of the major card schemes.

C has contracts with three firms providing different elements of the chain which enable it to take online payments. Two of these firms were involved in the processes which led to the problems C experienced: the merchant acquirer (AIBMS) and the payment gateway (a firm which I shall call O).

For a transaction to go through, the card scheme needs to know the Bank Identifier Number (BIN) for the merchant acquirer which will manage the transfer of funds. This BIN has to be registered with the card scheme by the merchant acquirer and recorded with the card scheme by the payment gateway.

In November 2023, AIBMS registered with the card scheme its two BINs for a UK merchant.

The process for the payment gateway to record the necessary information with the card scheme begins with the payment gateway sending the merchant acquirer a file showing the merchant identification number (MID) and the relevant merchant acquirer BIN. The merchant acquirer then returns the file to the payment gateway with the name on the card scheme portal and a four-digit card scheme code. This information is then recorded with the card scheme. The BIN for the merchant acquirer recorded by the payment gateway should match the BIN previously registered with the card scheme by the merchant acquirer.

On 6 December, O created the necessary file for C and sent it to AIBMS. It included the correct MID but stated a BIN which was different to the two BINS which AIBMS had registered with the card scheme. O says that it used this BIN because it was the number it had always used for AIBMS.

AIBMS responded to O later the same morning. It completed the file, adding both the name on the card scheme portal and the four-digit card scheme code, but didn't inform O that the BIN it had recorded was wrong.

The information on the file was then submitted to the card scheme. However, as the BIN in this file didn't match either of the BINs registered by AIBMS with the card scheme previously, any online payments made with this card scheme did not go through.

The problem was resolved six days later when AIBMS was informed of the failed transactions and responded quickly to register additional BINs with the card scheme, one of which matched the BIN submitted to the card scheme by O.

C complained, asking AIBMS or O to compensate it for its lost sales.

AIBMS said it had done nothing wrong. It said that it had registered the correct BINs with the card scheme, and that it had completed the file as appropriate when sent through by O. AIBMS said that it was not its responsibility to ensure that O had recorded the correct BIN.

Not content with this response, C brought its complaint to our service. Our investigator looked into things and found that AIBMS could have done more to prevent this problem arising. She said that AIBMS had completed the file appropriately but could have alerted O to the fact that the BIN recorded for AIBMS in the file was wrong. She also noted that there was no evidence to show that AIBMS had previously told O that its BIN for UK merchants had changed. For these reasons, she concluded that AIBMS should bear responsibility and compensate C for its losses.

AIBMS did not agree. It submitted that it had done everything properly and should not be held responsible for O's mistakes.

As the matter could not be resolved, it 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.

Through no fault of its own, C was unable to take payments on its website through one of the major card schemes for six days.

It appears to me that the problem could have been avoided in various ways:

- AIBMS has told us that the root cause of the issue is a migration it completed in November 2023, in which it set up a UK entity to provide services to UK merchants, with two new BINs. Previously, all accounts were administered by First Merchant Processing (Ireland), trading as AIBMS, under different BINs. AIBMS has said that it communicated this change to its banking partners and relevant parties in the payment processing industry.

However, AIBMS has not been able to provide evidence to show that it informed O; and, moreover, it appears that C's contract was not with the UK entity set up by AIBMS to provide services to UK merchants but with First Merchant Processing (Ireland).

- O could have checked what BIN it should be recording for AIBMS transactions relating to UK merchants before entering details into the file rather than just relying on what it had used previously for AIBMS; and O could have asked AIBMS to confirm that the details it had entered on the file, including the BIN, were correct.
- AIBMS could have spotted that O had input the wrong BIN on the file and notified O

that this needed changing. AIBMS has said that it's not its responsibility to quality check the work of a third party. It's said that its task is simply to add the additional details (the name on the card scheme portal and the four-digit card scheme code) and not to confirm or amend the pre-populated information recorded by the payment gateway. AIBMS has also noted that in the email by which it returned the file to O on 6 December, it provided a table showing the acquirer reference IDs which it had registered - although it wasn't explicit in the email that these were the BINs O should be using.

- O could have paid more attention to the information in the covering email from AIBMS and seen that the BIN it had inserted in the file didn't match those AIBMS had registered. The covering email refers to the BINs as 'acquirer reference IDs' but I think it should have been clear to O what these were.

Overall, given that the AIBMS entity providing services to C was First Merchant Processing (Ireland), and given that AIBMS has not demonstrated to us that it told O to use different BINs to those it had previously used, I believe that AIBMS is principally to blame for the mistake. Although O could have taken steps to avert the problem, I believe AIBMS should have done more to alert O to the BINs it had registered with the card scheme for this customer.

AIBMS has suggested in its response to our investigator that its measures to help the merchant retrospectively are being used against it. I would like to reassure AIBMS that this is not the case. AIBMS responded quickly and effectively to address the issue once it became aware of it.

Putting things right

There are two different ways in which the loss to C could be estimated.

- Mr C has provided data showing the extent to which C's income was lower in the period affected by the 'outage' than what it would have been otherwise. His calculations have applied C's annual sales growth to the period in question, resulting in an estimate of the lost sales.
- AIBMS has traced all the transactions which were refused by the card scheme in the affected period and removed any duplicates (where the customer tried and failed more than once). This data demonstrates that C lost £4,674.50 in sales through this card scheme.

In my view the second approach, which is based on actual data in the period, is more likely to give a reliable estimate of C's losses.

It might be that this over-estimates C's losses as some customers might have used an alternative card through a different card scheme, or gone instore to purchase the items, or purchased them online later. But equally this could under-estimate the effect on C if its reputation was impacted and some customers migrated elsewhere both for this purchase and future purchases. On balance, I think the data provided by AIBMS provides a reasonable estimate of C's lost transactions.

Mr C has provided evidence which demonstrates that C achieves an average profit margin of about 40%. Applying this profit margin to the lost transactions results in lost profits of £1,869.80. I believe AIBMS should reimburse C this amount.

In addition, as C has been without these funds since the affected period, I believe AIBMS should pay C interest at 8% simple on this amount from 8 December 2023 (being in the middle of the period in which the transactions were lost) until the date of payment.

Mr C has also set out how this episode has caused distress to the directors and inconvenience to C. As the complainant in this case is a company and companies cannot feel distress, I am unable to compensate C for any distress to its directors. However, given the time and effort the directors of C have put into resolving matters, and the inconvenience in addressing customer concerns, I believe AIBMS should pay C £300.

My final decision

I uphold this complaint against First Merchant Processing (Ireland) Limited (trading as AIB Merchant Services). To put things right it should pay C:

- £1,869.80
- Interest at 8% simple on this amount from 8 December 2023 to the date of payment
- £300 for inconvenience to C

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 27 March 2025.

Andy Wright
Ombudsman