

The complaint

Miss O complains about the way in which Lloyds Bank PLC handled her claim after a flight she had bought with her credit card was cancelled.

What happened

On 6 September 2021 Miss O tried to book a return flight through a website, which I'll refer to as "T". Miss O says that, in the course of trying to make the booking, she received a message saying that her payment had been declined. She later received a message saying that her credit card had been debited.

Miss O sent a message to T, asking that the position be corrected.

Miss O also contacted Lloyds to explain the situation and asked that the transaction be stopped. Lloyds said that would not be possible, but it did record that Miss O wanted to raise a chargeback.

On 8 September 2021 Lloyds sent Miss O an SMS message asking for more information about the dispute.

Miss O's first flight was due to depart on 12 October 2021. She says however that, when she arrived at the airport to check in, she was told her flight booking had been cancelled.

Lloyds sent a further SMS message on 4 January 2022, again requesting information about the background to Miss O's dispute with T, followed by two emails later in the month. Miss O did not reply to them.

On 9 February 2022 Lloyds contacted Miss O to tell her that, as it had not received the information it needed, it was not able to take her dispute any further. Miss O did then provide some more information. Lloyds considered what had been provided but then told Miss O in April 2022 that it had considered whether she had a claim under section 75 of the Consumer Credit Act 1974 ("section 75"), but that it did not apply to her circumstances. That was because she had booked her flights through a third party, rather than directly with the airline.

Lloyds explained a few days later that it had considered the section 75 claim because the time limits for raising a chargeback had expired. Miss O said that she had made it clear that she wanted the bank to raise a chargeback claim and that it was the bank's fault, not hers, that the relevant time limit had expired.

Lloyds said that it had asked for information about Miss O's concerns, but that it had not been provided with sufficient information to enable it to do so. It had not therefore continued with the chargeback claim. And it remained of the view that Miss O's relationship with T was such that section 75 did not apply.

Miss O referred the matter to this service, where one of our investigators considered what had happened. The investigator issued a preliminary assessment, but did not recommend that Miss O's complaint be upheld. The investigator's reasons were, in summary, that Miss O

had not provided enough information about the background to enable Lloyds to make a chargeback claim within the time allowed; and there was insufficient evidence to show that T had not provided Miss O with the service it had agreed to provide.

Miss O did not accept the investigator's assessment 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.

Miss O's complaint about Lloyds is that it did not correctly pursue her claim arising from the background facts I have summarised above. It should have done that under the chargeback scheme, or under section 75, or both. I shall discuss each in turn.

Chargeback

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, Mastercard). A card issuer (here, Lloyds) 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.

Chargeback is primarily a scheme for resolving disputes about payment settlements – including, for example, where payments are not authorised or are duplicated, or where goods have been paid for but not delivered.

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.

Chargeback claims are subject to strict time limits. Where, as in this case, a payment is made for services to be provided at some point in the future, the relevant time limit runs from the date on which the service was to be provided. And the time limit here was 120 days from 12 October 2021, the date of the first flight. That limit expired on 9 February 2022. At that point, however, Miss O had provided only very limited information.

Lloyds had asked Miss O on more than one occasion to provide further information, but she had not done so. Miss O did later provide additional information – although it still remains open to question whether it would have been sufficient for a claim to succeed. However, I agree with the investigator that, given the information and evidence which Lloyds had when the time limit expired, it was reasonable for it to have taken the view that a chargeback was unlikely to be successful and, therefore, not to pursue it.

Section 75

One effect of section 75 is that, subject to certain conditions, an individual who uses a credit card to pay for goods or services and who has a claim for breach of contract or misrepresentation against the supplier of those goods or services has a like claim against the credit card provider.

The bank says that, in this case, the necessary relationships between it, T and Miss O were not present. I agree with the investigator, however, that that is not the correct analysis here. Lloyds says that T was acting as agent for the airline, and that Miss O's underlying claim is against the airline, because it cancelled her flight. However, any agreement which T had with Miss O required it to arrange the flights which she had booked and to pass payment to the airline. If, therefore, T took payment from Miss O but did not arrange the flights as had been agreed between them, Miss O might well have a claim for breach of contract against T.

If flights were indeed booked, Miss O also had a contract with the airline. However, that contract was not funded directly by Miss O's credit card payment, so section 75 does not apply to that relationship.

As the investigator identified, the evidence in this case is very limited; it is also contradictory. There is evidence of a payment to T, but there is also evidence that a payment was declined. Miss O has also provided a copy of her itinerary, which would appear to suggest that her flights were indeed booked. But that contradicts her statement that she was told at check-in that she did not have a booking. And she has not provided copies of tickets or a booking confirmation, although it seems unlikely that she would have tried to check in with neither of those.

It may well be that Miss O can show that T took her money but did not arrange flights as agreed. However, I do not believe that she has been able to demonstrate that, and it follows that the bank's decision to decline her section 75 claim was a reasonable one in the circumstances.

It is not for me to say whether Miss O does in fact have a claim against T – or indeed, the airline. Nor is it for me to decide whether she has a claim against Lloyds under section 75. What I must do is decide what I consider to be a fair resolution of Miss O's complaint about Lloyds' decision to decline her claim. In the circumstances, however, I think it was reasonable of Lloyds to decline Miss O's claim under section 75.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 9 December 2024.

Mike Ingram
Ombudsman