

The complaint

Mrs B complains that Sainsbury's Bank Plc ("Sainsbury's") hasn't refunded her a payment she made to an online ticketing agency.

What happened

In July 2023, Mrs B bought tickets to attend an overseas music event from an online ticketing agency that I'll call 'W'. She paid W £1,293.84 for the tickets using her Sainsbury's credit card.

The event was postponed by the organiser in March 2024 as the hotel that was due to host the event couldn't do so. Mrs B contacted W asking for a refund, but they told her they were only the ticket agent and had no responsibility for issuing refunds. W said that Mrs B needed to speak to the event organiser about this.

Mrs B contacted the event organiser but says he didn't respond until he sent a general e-mail to ticket holders saying the event could no longer go ahead. Since then, the organiser posted several updates saying he was taking legal action against the hotel chain who was due to host the event and that he was seeking refunds for ticketholders.

Mrs B asked Sainsbury's for help in getting a refund. Sainsbury's raised a chargeback, but this was defended by W who said they had no responsibility for ticket refunds and said their terms and conditions on their website made that clear. Sainsbury's decided not to take the chargeback any further.

Sainsbury's then considered whether Mrs B had a valid claim under Section 75 of the Consumer Credit Act 1974 ("s.75"). However, they said to Mrs B the required debtor-creditor-supplier relationship wasn't in place for a claim to be made, as Mrs B hadn't paid the event organiser. Mrs B complained to Sainsbury's about this, but they felt their response to the claim was reasonable.

Mrs B then referred her complaint to our service. Our investigator recommended that it should be upheld. She felt that Sainsbury's had acted unfairly by not pursuing the chargeback further after W had defended the claim. Our investigator referred to a specific section in the card scheme's chargeback rules that meant the card scheme likely would have viewed W to be a 'merchant of record' and so responsible for the lack of service provided to Mrs B, which here was the failure of the event organiser to put on the event. She recommended that Sainsbury's refund Mrs B the £1,293.84 she'd paid.

Sainsbury's didn't agree and so Mrs B's complaint 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.

I've looked at how Sainsbury's dealt with the chargeback claim. It might help if I give a brief

overview of how the chargeback process works.

A chargeback is the process by which payment settlement disputes are resolved between card issuers and merchants, under the relevant card scheme rules. What this means here is that Sainsbury's can in some circumstances 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. But the chargeback process doesn't give the consumer legal rights, and it isn't guaranteed to result in a refund. It all depends on what the merchant says in response to the request the bank submits.

There first must be a right to apply for a chargeback under the card scheme rules, And I'd consider it to be good practice for Sainsbury's to raise a chargeback if it has a good chance of being successful. It's important to note that chargebacks are decided based on the card scheme's rules, not the relative merits of a cardholder/merchant dispute. So, it's not for Sainsbury's, or me, to decide whether Mrs B should get her money back for the disputed item. Sainsbury's should raise the appropriate chargeback and consider whether any filed defence complies with the relevant chargeback rules.

Sainsbury's raised a chargeback for Mrs B, but this was defended by the merchant, who said their terms and conditions made clear that they weren't responsible for refunds for events being cancelled by event organisers and that their responsibility was limited to accepting money from consumers and then passing this on to the event organisers.

I've looked at W's terms and conditions online and these do set out that they hold no responsibility for events being cancelled, or for refunds arising from this. However, our investigator felt there were sufficient grounds to think that W was the 'merchant of record' for Mrs B's purchase. When saying this she was referring to a document published by Mastercard on 1 May 2020. Titled "Dispute Resolution Management During COVID-19", it provided guidance for participants in the Mastercard network on how to deal with common chargeback scenarios. It contained the following question, along with Mastercard's answer:

"Question: The cardholder's flight has been cancelled, and the transaction was billed by an online travel agent (OTA). The OTA tells the cardholder that they are only responsible for making the reservation and not providing the flight. Does an issuer have chargeback rights?"

Answer: Yes. In these circumstances, Mastercard would view the OTA as the merchant of record, and an agent of the travel supplier, regardless of the terms and conditions disclosed to the cardholder. Under Mastercard Standards, the OTA, by accepting payment for the service purchased by the cardholder (e.g. flight) and not just for handling the reservation, assumes responsibility for chargebacks if the service is not provided. The OTA should work closely with its travel partners or travel suppliers to avoid a cardholder getting reimbursed twice for the same transaction."

I acknowledge that this guidance was published during the pandemic and refers to OTA's. Firstly though, there's no evidence in my view that this was a set of new or temporary rules made by Mastercard. The guidance issued by Mastercard during the pandemic appear to have been clarifications on how it interpreted, and expected issuers and acquirers, to interpret its existing rules and common scenarios which were leading to disputes during the pandemic.

Secondly, I don't believe the guidance says that it's only OTA's who are responsible for chargebacks in relation to onward services not being provided. It indicates that where one party acts as the merchant of record and accepts payment for a service to be supplied by another party, then they are responsible for chargebacks if the onward service isn't provided. In my view, it's a common enough scenario for event tickets to be purchased via ticket

agents and for chargebacks to be raised successfully if the event in question is cancelled and the organiser has failed to provide a refund, as has happened here. So, I don't think it unreasonable to say that this guidance applied in Mrs B's circumstances.

As a result, I think there were sufficient grounds for Sainsbury's to have thought that the defence put forward by W wasn't valid and should not have been accepted. It follows that I consider Sainsbury's, in deciding not to pursue the chargeback further, made an error. By not doing so it wrongly deprived Mrs B of the opportunity to receive a refund via this route. While it's not possible to know for sure what the outcome of the chargeback would have been, had Sainsbury's pursued it more robustly, I think the guidance from Mastercard is a good indication that it would have been successful. And I've not seen sufficient evidence to make me think otherwise. So, like our investigator, I think Sainsbury's should put Mrs B in the position she would have been in, had the chargeback been pursued to a successful conclusion.

Because of my findings on how Sainsbury's dealt with the chargeback, I don't need to consider whether Mrs B would have been entitled to a refund from a s.75 claim. So, I won't be commenting on this in my decision,

Putting things right

Sainsbury's must put Mrs B back in the position she'd have been in, had the chargeback of £1,293.84 been successful. This means Sainsbury's must do the following:

A) Rework Mrs B's credit card as if the card was permanently refunded the £1,293.84 on the day it received the defence to the chargeback from W.

B) Pay Mrs B interest of 8% simple yearly interest on any credit balance that might arise as a result of this reworking calculated from the date of said credit balance to the date of settlement.

C) Alternatively, if Sainsbury's considers calculating compensatory interest as directed in "B" would be impractical then it may instead pay 8% simple interest per year* on £1,293.84 calculated from the date it discontinued the chargeback to the date of settlement.

E) Remove any negative information it may have recorded on Mrs B's credit file if she chose not to pay the amount in dispute when it was due to be repaid.

*If Sainsbury's considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mrs B how much it's taken off. It should also give Mrs B a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

The above is slightly different to the recommendation of our investigator. Her recommendation was based on Sainsbury's initially refunding the amount once Mrs B raised the dispute with them. But Sainsbury's has confirmed that they didn't do this, and the amount remained as debited on Mrs B's account throughout. I'm satisfied that my direction above is a fair and reasonable way of resolving this complaint bearing this in mind.

My final decision

I uphold Mrs B's complaint for the reasons explained above and direct Sainsbury's Bank Plc to take the steps set out in the "putting things right" section of this final decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or

reject my decision before 26 June 2025.

Daniel Picken
Ombudsman