

The complaint

Mr and Mrs U complain that Lloyds Bank PLC did not handle their chargeback request properly.

What happened

Mr and Mrs U bought a set of self-assembly furniture from a retailer. They paid for it using a buy now pay later payment processor I will call K which was linked to their Lloyds bank account. It cost £689.70 and they made three payments of £229.90 in April, May, and June 2023.

When the furniture was delivered in May 2023 they discovered one of the three pieces was damaged. They contacted the retailer and it sent a replacement part, but this was also damaged. They spoke to the retailer again and asked that it take the furniture back or give them a 10% refund of the full cost. It offered a 10% refund of the cost of one item which amounted to £26.40, but Mr and Mrs U rejected this offer.

They contacted both K and Lloyds. K offered to write off 10% of the total cost which came to £ 68.97. But by the time Mr and Mrs U became aware of this a chargeback claim for the full amount had been made by Lloyds so they rejected K's offer.

Lloyds raised a chargeback claim against K on 21 August 2023 and paid a temporary refund of £689.70. Lloyds wrote to Mr and Mrs U to say that if the merchant didn't respond by 23 September 2023, they would keep the refund. Because Lloyds didn't hear from the merchant by this date, they kept the refund.

However, on 28 September 2023, K debited £620.73 from Mr and Mrs U's bank account, which was the full cost of the furniture set minus 10%.

Mr and Mrs U complained to Lloyds, but it rejected this. However, it accepted that the level of service it had provided wasn't as good as it should have been and offered £75 compensation for this.

They brought a complaint to this service seeking a refund of £620.73 from Lloyds. The complaint was considered by one of investigators who didn't recommend it be upheld. Mr and Mrs U asked that the matter be referred to an ombudsman.

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 appreciate the difficulties, both personal and financial, which Mr and Mrs U have suffered but I do not consider that their complaint should be upheld. I will explain why.

They have explained that they think the retailer, K and Lloyds have all contributed to the problem. However, this complaint is about Lloyds and I will only be considering its actions.

I should explain briefly how the chargeback process works. Chargeback allows for a refund to be made of money paid with a credit or debit card in certain scenarios, such as when goods have been paid for and not received. A consumer cannot insist on their card company attempting a chargeback, but I would expect it to attempt one, as a matter of good practice, if there was a reasonable prospect of succeeding and to do so would be compliant with the rules of the card scheme to which the card belongs (most commonly, Mastercard or Visa).

In this case the payment made from the Lloyds account went to K and so it was the business which was the recipient of the chargeback. As K didn't respond the chargeback was successful Mr and Mrs U got their money back. Lloyds carried out the chargeback process as it was asked to do and obtained a refund for Mr and Mrs U.

However, I believe Mr and Mrs U had given K authority to take money out of the Lloyds account and this is what K did. Lloyds was not responsible for the actions of K. K has its own disputes system and having considered the position it decided that Mr and Mrs U's original request that they be given 10% off the total bill was appropriate. It then took the discounted sum from Mr and Mrs U's account and which Lloyds had no power to stop.

I appreciate Mr and Mrs U are upset about the sum being taken since they assumed all the money had been returned. The reality is that it had been returned and has been kept by Mr and Mrs U. A separate and different sum was taken by K and not Lloyds. K agreed with their initial request for a 10% reduction. Lloyds is not responsible for the decision made by K. I have noted that they gave the returned sum to a family member and this has left them in difficulties, but I cannot say that Lloyds has done anything wrong.

I note that Lloyds has paid them £75 compensation for its handling of one or more phone calls and I consider that to be a reasonable response.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs U and Mr U to accept or reject my decision before 2 April 2025.

Ivor Graham
Ombudsman