

The complaint

Ms A complains about Santander UK Plc's handling and outcome of a claim she made after she was a victim of fraud.

What happened

As the circumstances of this complaint are well-known to both parties, I have summarised them briefly below.

In July 2024, Ms A and a friend had booked flights through, what they believed to be at the time, a genuine online merchant. After Ms A's friend paid the deposit, Ms A went to pay the remaining balance.

On 23 July 2024, Ms A contacted an agent of the merchant. She used her Santander credit card to make a payment of £723.23. However, after processing this payment, Ms A could see that two further payments were attempted to different merchants.

Ms A disconnected from the agent and upon looking into the matter further discovered she had in fact been speaking with a person posing as an agent of the genuine online merchant. It was at this point Ms A discovered she'd been defrauded and contacted Santander to report the matter.

Santander investigated Ms A's claim but decided it wasn't liable for her loss. It did however find multiple service failings in the way Ms A's claim had been handled. It therefore decided to offer Ms A £150 in compensation to reflect this.

Ms A declined Santander's offer and referred her complaint to our service for an independent review. An Investigator considered the evidence and testimony provided by both parties, but didn't recommend the complaint be upheld. In summary, they found that Santander had made no error in processing the payment, and that there were no viable means for it to recover the funds lost. They also found the offer of £150 for the service failings fair.

Ms A disagreed with the Investigator's assessment, so the matter has now 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.

Authorisation

The starting position at law is that a firm is expected to process payments and withdrawals that a customer authorises, in accordance with the Payment Services Regulations 2017 and the terms and conditions of the customer's account. These regulations provide the framework for determining whether a payment has been authorised and, if so, the responsibilities of the payment service provider.

There is no dispute in this case that Ms A authorised the transaction subject to this dispute. She provided the relevant card details and security information for the payment to be authorised. So, Ms A is deemed liable for the payment in this regard.

Should Santander have stopped the payments for any other reason?

Payment service providers, such as Santander, ought reasonably to be on the lookout for suspicious transactions that might indicate its customer is at risk of financial harm. That can include monitoring accounts for out of character payments or know fraud patterns and trends.

However, I don't find in the circumstances of this complaint that Santander had any reason to deem this payment out of character or suspicious in nature. While the amount paid was more significant in value in comparison to Ms A's typical account activity, it isn't untypical for a customer to utilise their credit card for a one-off larger purchase in this way.

Further, Ms A was making a payment to a legitimate merchant and had called Santander the day prior to put it on notice that the payment was being made; something that was no doubt entered in record on her account.

For these reasons, I don't find Santander made any error in choosing to process the payment without cause for concern or intervention.

Ms A has argued that the presence of two further transaction attempts, within minutes of the first, ought to have been a red flag to Santander. I do agree with Ms A on this point, and I'm pleased to see both of these payments were blocked and unsuccessful. But these transactions were attempted after the payment subject to this dispute had been authorised. Therefore, it wasn't possible to reverse it even had a representative of Santander intervened at this point.

Did Santander do all it ought to have done in attempting to recover Ms A's loss?

There are a number of ways in which Santander, and its customer, can raise disputes regarding payments made using a credit card.

A chargeback is a voluntary scheme run by card providers—in this instance, Mastercard. It arbitrates on disputes between a customer and a merchant where they haven't been able to resolve matters themselves.

The arbitration process is subject to the rules of the scheme—which are set by the scheme providers—and there are only limited grounds on which a chargeback can be raised. Chargebacks raised outside of these grounds are deemed invalid. A chargeback isn't a consumer right, and it might be reasonable for a firm to not attempt a chargeback where there is limited prospect of success. Santander isn't obliged to put a claim through just because Ms A requests one. But I'd consider it good industry practice to do so if the claim was likely to succeed.

It is reasonable in this case that Santander chose not to attempt a chargeback. Not only is it not permitted by the chargeback scheme rules—namely where an authorised payment is made in relation to a fraud—, but the prospect of a chargeback claim succeeding in these circumstances is limited. The merchant had taken the payment with the relevant authorisation and had provided the service paid for, albeit to a third-party.

Ms A has also mentioned that she is protected under section 75 of the Consumer Credit Act (CCA).

Under section 75 of the CCA, the borrower under a credit agreement has an equal right to claim against the credit provider if there's either a breach of contract or misrepresentation by the supplier of goods or services. Section 75 will only apply when there is a direct relationship between the debtor, creditor and the supplier (in this case, Ms A, Santander and the fraudster respectively).

From what I've considered, I'm not persuaded that a valid debtor-creditor-supplier relationship exists in this case. I say this because Ms A's payment was not made directly to the fraudster, but to the legitimate merchant. Consequently, this breaks the debtor-creditor-supplier chain. The legitimate merchant hasn't breached its contract with Ms A or misrepresented the service it provided.

Distress and inconvenience

Again, there is no dispute here that Santander ought to have provided a better service when dealing with Ms A's claim. It has admitted to erroneously raising several claims resulting in multiple, conflicting correspondence being sent to Ms A. It also provided incorrect messaging and acknowledges that this resulted in Ms A having to spend more time on the phone trying to rectify the issue than she ought to have.

While I must acknowledge that the fraudster was the largest contributor to Ms A's distress and inconvenience here, this was likely exacerbated by the poor service received. And Ms A was clearly inconvenienced for a short period of time in attempting to rectify Santander's errors.

Taking all the above into consideration, I find the £150 offered by Santander to be fair and reasonable.

My final decision

Santander has already made an offer to pay £150 to settle the complaint, and I think this offer is fair in all the circumstances.

So my decision is that Santander UK Plc should pay Ms A £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 30 September 2025.

Stephen Westlake
Ombudsman