

## **The complaint**

Mr S complains about the way Lloyds Bank PLC (Lloyds) handled his request for money back in respect of a payment he made using his debit card to settle a loan with a third-party lender.

## **What happened**

Mr S said he paid a supplier for services using a fixed sum loan from a third-party lender I'll call H. He said he made the repayments on this loan from an account with another bank.

Having encountered problems with that service, Mr S said he recovered the money he paid to H via that other bank.

Mr S said that H pursued him for the money after this as it didn't accept he should have received a refund of his loan repayments.

Mr S then paid H £1,502.42 using his Lloyds debit card. After this he asked Lloyds to recover the money via chargeback. Upon receipt of Mr S's claim Lloyds said it asked him for more information about the dispute via text message. It said it never received this information until June 2024 by which time it was too late under the relevant card scheme rules to raise a chargeback.

Mr S said he provided all of the information about the dispute when he raised it. He said he never received the text message from Lloyds and had chased it for an update on his dispute on several occasions. He complained to Lloyds.

Lloyds said it stood by its decision to not raise the chargeback. However, it considered it had provided poor service to Mr S and paid him compensation of £70. Dissatisfied Mr S referred his complaint to this service.

An investigator didn't think Mr S's complaint should be upheld. He said that while the service provided by Lloyds was poor, the payment Mr S made to H was in settlement of a loan and not for the service he'd bought from the supplier. So, there was no reasonable prospect of a chargeback succeeding. He thought Lloyds's compensation payment of £70 was reasonable in the circumstances.

Mr S disagreed and asked an ombudsman to review his complaint. The complaint has therefore been passed to me.

## **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.

It is important to note that my decision here is about the actions of Lloyds and what it should fairly have done for Mr S in response to his claim in its position as a provider of financial services. In looking at how it handled the claim Mr S brought to it I've considered the information reasonably available to it at the time along with the processes under which it

could realistically have attempted to recover the payment he made – which in this case appear to have been limited to chargeback.

In certain circumstances the chargeback process provides a way for a bank to ask for a payment Mr S made to be refunded. Where applicable, the bank raises a dispute with the supplier and effectively asks for the payment to be returned to the customer. While it is good practice for a bank to attempt a chargeback where the right exists and there is some prospect of success, the circumstances of a dispute means it won't always be appropriate for the bank to raise one. There are grounds or dispute conditions set by the relevant card scheme and if these are not met a chargeback is unlikely to succeed.

This means for me to conclude Lloyds did something wrong in Mr S's case, and should do something to put things right, I think I'd need to find that it didn't raise a chargeback in circumstances when it ought reasonably have done so. This could be, for example, because Mr S's dispute looked to have fit within the card scheme rules. Also, I'd need to find that Mr S lost out as a result, for example, because it's likely the chargeback would have been successful and it's likely he would have recovered his money.

Lloyds said it didn't raise a chargeback because Mr S didn't provide more detailed information about his dispute until it was too late under the relevant card scheme rules and so his claim would not have succeeded. Mr S said he didn't receive Lloyds's text message asking for more information, and it didn't tell him it was waiting on this when he chased it for an update on several occasions.

It is correct that under the relevant card scheme rules there are time limits within which a chargeback must usually be raised – often 120 days from the date of payment.

However, even if I accept that Mr S didn't get Lloyds's text message and that better customer service would have resulted in it receiving what it needed while there was still enough time to raise a chargeback, it seems to me that the chargeback would have had very little prospects of success.

I say this for broadly the same reasons as the investigator. The payment Mr S made to H was in settlement of a loan balance with T. So, any chargeback that would have been attempted in respect of that payment on the basis of the services provided by the supplier would most likely have been destined to fail as H was not the supplier of those services.

Thinking about the dispute codes that might have been available in respect of the payment to T, it seems unlikely there were any that would have assisted Mr S. His payment was made in respect of what appears to have been a contractual obligation to repay a loan from T. And, other than acknowledging its potential liability to him under section 75 of the Consumer Credit Act, there were no terms in the loan agreement which made H responsible for the service that was being provided by the supplier.

Overall therefore, I don't find Mr S has lost out as a result of Lloyds not raising a chargeback in time because it appears very unlikely that it would have succeeded in any event. So, I don't think Mr S has been treated unfairly.

That's not to say Mr S has no claim at all against H in respect of the service provided by the supplier, I simply haven't considered that here because I haven't found it to be relevant to the complaint being made about Mr S's bank.

I recognise also that Mr S has said he was able to recover what he paid to H via another bank through the chargeback process and so should have been able to on this occasion. I don't know the details of the other claim, so I don't know why it succeeded. I would note

however that Mr S said H pursued him for the money again after the chargeback. So, it seems unlikely that H simply accepted his chargeback on that occasion, otherwise it would not have pursued him after. Chargebacks can sometimes succeed on a technicality, for example where the merchant or its bank did not respond in time. Ultimately however, I am considering the facts of this complaint, and as I've explained, I don't find Lloyds treated Mr S unfairly by not raising a chargeback.

Lloyds accepts its customer service was poor and from the available evidence that does appear to have been the case. I can see it would have been frustrating for Mr S that Lloyds kept telling him it didn't have his information and it could have done a better job explaining what was happening with his chargeback and why. Lloyds has paid £70 to Mr S and I find this to be fair compensation in the circumstances given the chargeback had no reasonable prospects of succeeding.

### **My final decision**

My final decision is that Lloyds does not need to do anything in respect of Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 15 May 2025.

Michael Ball  
**Ombudsman**