

The complaint

Mr A complains that JAJA FINANCE LTD ('JAJA') hasn't refunded the money he lost after he fell victim to a scam. He's also unhappy with how JAJA handled his reimbursement claim.

To resolve the complaint, Mr A's asked JAJA to reimburse the loss he's suffered.

What happened

In January 2024, Mr A purchased a combination of £50 and £100 gift cards from a well-known retailer. The combined cost of the gift cards was £1,000 and Mr A used his JAJA credit card to make the payment, which was verified using his PIN. Mr A then sent the gift card codes to a third party ('the scammer') who, unknown to Mr A at the time, had impersonated one of his work colleagues.

After discovering he'd been scammed, Mr A contacted JAJA for help. JAJA raised the scam payment as a dispute, which it subsequently rejected on the basis that Mr A had received the gift cards and, as there hadn't been an issue with them, there was nothing it could do to recover the funds from the retailer.

Mr A clarified that he'd been scammed and raised a complaint about JAJA's decision not to reimburse him. JAJA considered if it was responsible for refunding Mr A, but declined to do so. It said it hadn't made an error in allowing the payment to be made, so it wasn't responsible for refunding him. It reiterated that as Mr A had received the gift cards he purchased; it couldn't recover the funds from the retailer.

Unhappy with JAJA's response, Mr A referred his complaint to this service. Our Investigator didn't uphold the complaint. They said that the scam payment wasn't so unusual that JAJA ought to have been concerned that Mr A was at risk of financial harm due to fraud, so they couldn't reasonably have been expected to prevent the loss from occurring.

Our Investigator also didn't think JAJA had any reasonable prospects of recovering Mr A's funds through a chargeback, nor was it responsible for refunding the payment under section 75 of the Consumer Credit Act 1974 ('s.75'). Our Investigator considered JAJA's handling of Mr A's claim could've been better, but as this didn't negatively impact Mr A's reimbursement claim, they didn't think JAJA needed to pay any compensation for the distress and inconvenience this caused Mr A.

Mr A didn't agree. He explained that at the time of the scam, he'd been on a lot of medication which impacted his judgement. He also didn't think he'd received the appropriate support from JAJA when making his claim. To resolve the complaint, he thought JAJA should reimburse at least 50% of his loss.

Our Investigator put this to JAJA, but it reiterated its decision not to refund Mr A or pay him any compensation. As an agreement couldn't be reached, the complaint has been referred 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.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to have been good industry practice at the time.

In broad terms, 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 (in this case, the 2017 regulations) and the terms and conditions of the customer's account.

It's not in dispute here that Mr A made the scam payment himself. So, under the Payment Services Regulations, the starting position here is that Mr A is responsible for the payment (and the subsequent loss) despite the payment being made as the result of a scam.

However, that isn't the end of the story. Good industry practice required JAJA to be on the lookout for account activity or payments that were unusual or out of character to the extent that they might indicate a fraud risk. On spotting such a payment, I'd expect it to take steps to warn the customer about the risks of proceeding.

Mr A opened his JAJA credit card account in December 2023 (less than a month before the scam occurred). As a result, it was difficult for JAJA to know what Mr A's typical account usage was. However, JAJA did have some information available to it about the scam payment. So, I've taken that into consideration when deciding if JAJA reasonably ought to have recognised the payment posed a risk of fraud.

The scam payment was the largest transaction Mr A had made during the short time he'd held the JAJA credit card account. However, whilst the payment was significantly more than Mr A's previous transactions, I'm not persuaded the value alone was substantial enough that JAJA reasonably ought to have been concerned by it.

Mr A remained well within his credit limit of £2,000. The payment was also made in person and verified with Mr A's correct PIN. The recipient was a well-known retailer, and all these factors would've given JAJA comfort at the time that the payment was being made by Mr A and for a genuine purpose.

At the time the payment was made, JAJA wouldn't have known what Mr A was buying from the retailer. All JAJA would've known was that Mr A was making a £1,000 card payment to a well-known retailer and it wouldn't have been apparent to JAJA that Mr A was purchasing multiple gift cards in a single transaction.

I accept Mr A was taking a variety of medications at the time he made the scam payment and I'm aware that his doctor has explained that this may have impaired his judgement. JAJA wasn't aware of Mr A's medical conditions or the impact of his medication at the time, and so it wasn't able to implement any additional measures which might have allowed it to identify that Mr A was being scammed. It also wouldn't allow me to fairly and reasonably tell JAJA to reimburse him.

Overall, I don't think the payment was so suspicious, that JAJA reasonably ought to have identified a fraud risk or that it should've asked Mr A questions to satisfy itself the payment was being made for a legitimate reason. In the circumstances, I'm not persuaded JAJA should've reasonably prevented Mr A's loss or that it should refund him as a result of him being the victim of a scam.

As the scam payment was made using a credit card, I've considered whether JAJA ought to have reimbursed Mr A under s.75.

There are various requirements that need to be met for a successful s.75 claim. I don't intend to address all of these here. However, I do consider that Mr A was able to make a s.75 claim about the gift cards valued at £100 each, but not those that were valued at £50.

For JAJA to be held responsible for reimbursing the cost of the £100 gift cards, I'd need to be satisfied that there has been a breach of contract or a misrepresentation by the retailer. And it's this requirement under s.75 that causes Mr A's claim to fail.

It's not in dispute that Mr A received the gift cards from the retailer. It's also not been alleged that the £100 gift cards weren't for the specified value or that they were defective in some way. As a result, I'm not satisfied that Mr A has demonstrated a breach of contract or misrepresentation by the retailer that would allow his s.75 claim to succeed against JAJA.

Finally, I've considered whether JAJA could've taken any additional steps to recover Mr A's funds from the retailer. In the circumstances, JAJA could've attempted a chargeback. However, there's no statutory right for a chargeback to be raised and a chargeback is not an absolute right for consumers. And, I wouldn't expect JAJA to raise a chargeback where there is no reasonable prospect of success.

Here, the card payment went to a genuine retailer – who has provided the goods – so a chargeback wouldn't have had any reasonable prospect of success and would most likely have been defended by the retailer. So, I don't find JAJA acted unfairly in not raising a chargeback as it had little prospect of success. As a result, I'm not persuaded JAJA could've reasonably done anything to recover the loss in relation to the scam payment.

Overall, I'm not satisfied JAJA reasonably could've prevented Mr A's loss, or that it's responsible under s.75 or for not raising a chargeback. As a result, I can't fairly ask JAJA to reimburse Mr A's loss.

I appreciate that Mr A had to make several phone calls to JAJA regarding the scam and his claim for reimbursement. I'm also aware that JAJA initially misunderstood the circumstances that Mr A was reporting, and this resulted in his claim being logged as a dispute and not a scam, which caused a delay.

Whilst I'm sure this was frustrating for Mr A, this isn't sufficient to allow me to ask JAJA to reimburse his loss. I'm also not persuaded that the impact of this error justifies an award of compensation for distress and inconvenience.

My final decision

Whilst Mr A has my upmost sympathy, for the reasons I've explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 27 February 2025.

Liam Davies
Ombudsman