

The complaint

Ms R complains Lloyds Bank PLC won't refund her a payment she made on her credit card.

What happened

In November 2023, Ms R instructed a removals company, who I'll refer to as "M", to move her belongings when she moved into a different property. Ms R says there were several issues with M and she was unhappy with the service they provided. For example, Ms R says M sent one removals person, despite requesting two, the person handled her items without care creating several thousand pounds worth of damages, the removals person asked her for payment for six hours' worth of work when they'd only worked for two hours and that they weren't very pleasant to her. Ms R also says M didn't give her an invoice for the service at the time and that M told her their services would cost around £50 an hour, but it later transpired they charged her a lot more than £50 an hour.

Ms R says after the move happened, she received several communications from M asking for payment that hadn't been made for their moving services. Ms R didn't make the payment as she was unhappy with the service M provided. The debt was then passed to a debt collection company, who I'll refer to as "S", to collect the payment from Ms R.

Ms R says S asked her to pay around £300 for M's services. Ms R made this payment using her credit card on 8 April 2024. Before doing this, Ms R says she called Lloyds to make sure she had the relevant protection, such as Section 75 of the Consumer Credit Act 1974 (CCA), that comes with paying for goods or services using a credit card. Ms R says she was given false and misleading advice from Lloyds – Ms R says she ought to have been told to make the payment to M and not S and by not giving this information, Lloyds were intentionally avoiding any liability or accountability under Section 75. Ms R says when she went to make a claim under Section 75 on 26 April 2024, to get the payment that she'd made refunded to her, she was told her claim wasn't successful.

Ms R says this issue is distressing and that she's now left with damaged items which are important to her. Ms R says she was under threat to make the payment to S, as she was receiving contact from M and that S accepted an invoice from M, for a much higher amount than the amount she should have paid.

Lloyds said under Section 75, they are jointly liable with the merchant they transacted with on Ms R's credit card. In this case, Ms R transacted with S and not M. Lloyds said Ms R paid S around £300 and that S fulfilled their contract which was to collect the debt from Ms R. As a result, Lloyds said there wasn't the necessary relationship in place for a valid Section 75 claim between Ms R and M.

Our Investigator considered Ms R's concerns. In summary, she said it didn't appear that Lloyds had raised Ms R's claim under the chargeback rules. However, our Investigator didn't find this to be unreasonable as she didn't think there was a reason code under the rules that would apply. In relation to Section 75, our Investigator said the payment Ms R was disputing wasn't made to M and instead it was to S to settle the outstanding debt. Therefore, our

Investigator said there wasn't the necessary relationship in place between Ms R, Lloyds and M that was needed for a valid Section 75 claim.

Lastly, our Investigator said she listened to the call between Lloyds and Ms R which took place in the evening of 5 April 2024. Our Investigator said the advisor didn't tell Ms R that in order to have Section 75 protection, that she should make the payment directly to M and not to S. And that the lack of advice didn't mean the advisor acted inappropriately. In fact, our Investigator said the Lloyds advisor told Ms R not to make the payment at all given everything she'd told him about feeling she was being scammed. Our Investigator also said even if she was persuaded Ms R was given the incorrect advice, there wasn't any evidence to show M took payments via credit card as M's information showed they accepted payment via cash or a bank transfer.

Ms R disagreed with our Investigators view. Ms R provided a substantial response as to why she disagrees, so I've summarised Ms R's response into what I consider to be the key points:

- M consistently showed up at her property unwanted, sending unwanted text messages at unsocial hours, threatened to destroy her reputation and made threats to her directly in an attempt to get the payment from her. Ms R feels M blackmailed her and harassed her for payment.
- The actions from M have caused significant distress, stress and upset to Ms R – she has provided a lot of detail about the impact this issue has had on her. Ms R has also said she is a vulnerable customer.
- S demanded payment from her for 'unpaid invoices' and that they were acting on behalf of M.
- Lloyds didn't give Ms R the correct advice about whether she'd have Section 75 protection rights when making the payment with her credit card – she says Lloyds should have told her to make the payment to M and not to S.
- Ms R says she feels Lloyds haven't supported her in her claim and that their actions have also had an impact on her. Ms R says she's seeking compensation of around £50,000 as a result of Lloyds' lack of advice.
- Lloyds have an obligation under Consumer Duty to act in good faith towards customers – which includes taking appropriate action when identifying that they caused harm or loss to customers.
- Ms R wasn't aware the necessary relationship that needed to be in place for a valid Section 75 claim wasn't in place by making the payment to S, which Lloyds ought to have made her aware of.
- M could have accepted payments through a payment processor, meaning Ms R would have had Section 75 protection if she was told by Lloyds to make the payment to M and to do it via the payment processor. So Ms R didn't agree with our Investigator's finding that M only accepted payments via other methods which wouldn't have provided Section 75 rights.
- Ms R also referred to another decision our Service issued in relation to why there would be the relevant relationship in place for a valid Section 75 claim, had she paid M and had she made this payment through the payment processor.

So, the 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 can understand the difficulties Ms R has said this issue has caused her and on her health. And also, the difficult time she and her family are going through. I think it's important to explain I've read and taken into account all of the information provided by both parties, in reaching my decision. I say this as I'm aware I've summarised Ms R's complaint in considerably less detail than she has. If I've not reflected something that's been said it's not because I didn't see it, it's because I didn't deem it relevant to the crux of the complaint. This isn't intended as a discourtesy to either party, but merely to reflect my informal role in deciding what a fair and reasonable outcome is. This also means I don't think it's necessary to get an answer, or provide my own answer, to every question raised unless I think it's relevant to the crux of the complaint.

I note Ms R has referred to another case considered by our Service. However, I can't comment on this nor refer to it. It's my role to look at Ms R's complaint and its circumstances.

When a consumer approaches their credit card issuer about a problem with a payment made using their credit card, there are two avenues via which the business might be able to help. The card issuer can try to reclaim the amount (or part of the amount) the consumer paid on their card, via the dispute resolution mechanism operated by the card scheme and which is often known as "chargeback". They can also consider honouring a claim under Section 75 of the CCA. I will consider each of these mechanisms in turn below.

Before doing so, I think it would also be helpful to explain that while I understand Ms R is unhappy with M and their actions, I can only look at the actions of Lloyds and their handling of Ms R's claim for a refund. So, while I want to assure Ms R I've read everything she's submitted and while I acknowledge the impact this issue has had on her, I can't look into nor comment on the actions of M or S in this decision. If Ms R wishes to complain about the actions of S and their handling of things, she'd need to complain to them directly.

Chargeback

Chargebacks are governed by rules set by the card scheme to which the consumer's card belongs – in this case that's Mastercard.

While a consumer cannot require their card issuer to attempt a chargeback, as it isn't a right, our Service does consider it good practice to do so, if it is within the time limits and there is a reasonable prospect of success. I'd also expect the card issuer to conduct a chargeback correctly, in a timely manner and without making an error.

I can't see evidence of Lloyds attempting a chargeback claim here. So, I've thought about whether Lloyds should have taken matters forward or escalated the chargeback for Mastercard to decide.

Chargebacks can only be raised for reasons specified by the card scheme. If a particular dispute doesn't fall neatly within one of those reasons, then it may not be a suitable dispute to raise via a chargeback. Having considered the reasons for which a chargeback can be raised under Mastercard's rules, I think it's unlikely a chargeback would have been successful under any reason code. That's because Ms R made a payment to S to settle a debt, but she wanted a refund of this amount as she doesn't think she should pay for the services provided by M. And I can't see a reason code that fits this scenario. So, I don't think Lloyds acted unfairly in not attempting a chargeback claim.

Section 75 of the CCA

Section 75 of the CCA allows consumers who have purchased goods or services using a credit card, to claim against their credit card issuer in respect of any breach of contract or misrepresentation by the supplier of those goods or services, so long as certain conditions are met.

One condition which needs to be met for Section 75 to apply to a transaction, is the claim must relate to an item with a cash price of over £100 and no more than £30,000. The cash price here met this condition. I say this because Lloyds have provided evidence of the payment made to S which was over £300.

A further condition is that there needs to be what is known as a debtor-creditor-supplier ("DCS") arrangement in place. Lloyds said there wasn't the necessary DCS arrangement in place for a Section 75 claim against M, as the payment Ms R made was to S, to settle a debt. I'm minded to agree with this as essentially the contract Ms R has raised concerns about, the removal services by M, wasn't funded by the creditor, Lloyds, in this case. Ms R didn't make the payment to M, and therefore they don't form part of the DCS arrangement that is needed for a valid Section 75 claim.

Customer service with Lloyds

Ms R told us Lloyds didn't tell her to pay M and that they ought to have told her to do this, to ensure she could make a claim under Section 75. Ms R says Lloyds should have supported her more, taking into consideration her vulnerabilities, and that Lloyds intentionally didn't provide her with the right advice about who to pay.

I've listened to the call that took place between Ms R and Lloyds on 5 April 2024. Ms R told the advisor that she'd already made a payment earlier that day, but that she can no longer see it on her account – Ms R said she thought Lloyds had cancelled the payment and was quite distressed about the whole situation. Ms R went on to say she really needed to make the payment as she didn't want this to have a negative impact on her. Ms R said, in summary, she was being blackmailed, that she was really scared of M as they could harm her, that she was potentially being scammed, that she had been threatened, she was being extorted, but that she wanted Lloyds to authorise the payment.

When deciding whether Lloyds have acted fairly towards Ms R, I've thought about Consumer Duty which I think is a relevant consideration in deciding what's fair here.

Having considered the seriousness of what Ms R was saying during the call and the allegations she was making about M, I don't think it was unreasonable for the advisor to suggest she speak to the police. It was clear Ms R had already processed the payment and she wanted to make it, she repeated several times this was what she wanted to do, and she said she wanted Lloyds to authorise the payment. I think the advisor was making fair suggestions to prevent further harm to Ms R, given what she was telling them about the situation and the threat she felt under.

It was later determined during the call that the payment hadn't actually gone through due to incorrect account details that were inputted. I appreciate Ms R's point that Lloyds could have told her to make the payment to M, so that she could then make a successful claim under Section 75 about M's services. However, Ms R told the advisor that she was trying to make a payment to S and also provided S' website to the advisor to check the legitimacy of it. I don't think it was unreasonable for the advisor to rely on what Ms R was telling them – that she was trying to make a payment to S. In the call, as Ms R was trying to make the payment to S and was very determined to do so, I think Lloyds acted reasonably in helping her to make the payment as she told them she wanted to do so.

Overall, while I really do sympathise with the extremely difficult situation Ms R is in, I'm not persuaded Lloyds have acted unfairly when considering Ms R's request for a refund of the payment she made using her credit card.

My final decision

For reasons explained above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 26 March 2025.

Leanne McEvoy
Ombudsman