

The complaint

Miss S complains Lloyds Bank PLC (“Lloyds”) should not have raised a chargeback claim on her credit card payment. She says that step provoked legal action against her from the supplier and left her with legal costs Lloyds should cover.

What happened

On 19 September 2023, Miss S paid £3,511 to an engine supplier (which I’ll call “E”) with her Lloyds credit card for recovery of her car and installation of a replacement engine and clutch.

The new engine developed faults soon after – including an oil leak from a loose gearbox drain plug, a coolant-reservoir leak, and an unsecured bearing cap on the off-side driveshaft. On 3 November 2023, Miss S’ local garage reported these faults were down to E’s work or the engine. But E refused to accept liability, so Miss S asked Lloyds for help.

Lloyds raised a chargeback for Miss S on around 18 December 2023 for £3,511. The chargeback was successful, but it also resulted in E initiating court proceedings in early January 2024. I understand E was unhappy Miss S had ended up with both the replacement engine and a full refund following the chargeback. As of February 2025, Miss S said she incurred more than £6,500 in legal fees defending E’s court action.

Miss S said Lloyds raised a chargeback for her without her knowledge, despite her previous requests to claim under section 75 Consumer Credit Act 1974 (“section 75”). If Lloyds did as she asked, Lloyds would have refunded her £3,511 instead of E, and E wouldn’t have reason to take legal action against her. She says Lloyds should cover her legal costs.

Lloyds considered her complaint. It said it acted in line with its usual process to raise a chargeback first before considering a claim under section 75. It didn’t think it acted unfairly.

Our investigator also didn’t think Lloyds acted unfairly. Additionally, he thought events would have played out the same way even if Lloyds told her it was raising a chargeback - given Lloyds’ policy was to always attempt a chargeback before considering section 75.

As Miss S disagreed, the complaint’s come to me for a final decision.

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.

While I might not comment on everything (only what I consider key) this is not meant as a discourtesy to either party – it reflects my role resolving disputes with minimum formality. I’d like to assure both parties I’ve considered everything they’ve sent, including the dialogue between our investigator and Miss S post-assessment, and the numerous points she raised. I haven’t listed them all, but I’ve thoroughly considered everything she said.

Miss S says Lloyds should have raised a section 75 claim as that's what she asked it to do. Or alternatively, let her know it was raising a chargeback claim so she could make an informed decision about what to do next. She says that because E was being "aggressive", she'd have acted in a way to ensure a section 75 claim is raised, to avoid antagonising E.

I appreciate Miss S' strength of feeling here, but I must bear in mind that what she's saying now about what she would have done is said with the benefit of hindsight that legal action had followed the chargeback claim. I think the strongest evidence for what Miss S would have done, had things been explained more clearly, are the statements and actions of all the parties before the chargeback was raised. I've kept this in mind when determining if:

- (1) Lloyds handled the disputes process fairly,
- (2) Lloyds explaining the process more clearly would have likely made a difference, and
- (3) whether it's fair and reasonable to hold Lloyds responsible for Miss S' losses.

I've considered these points in more detail below.

Did Lloyds handle the disputes process fairly?

I've listened carefully to recordings of the three key calls between Miss S and Lloyds that she specifically referred to. The first took place on 29 October 2023 ("Call 1"), and the remaining two on 15 November 2023 ("Call 2", which precedes "Call 3"). Miss S said the call handler during Call 3, who had advised her to take steps in support of a chargeback claim, should have known she wanted to raise a section 75 claim (not a chargeback) because she mentioned it in two previous calls. So I've carefully considered these earlier calls.

Having listened to recordings of these earlier calls, I don't agree those conversations created a reasonable expectation on the call handler, during Call 3, to have known Miss S specifically wanted to claim under section 75. I say that because:

- Miss S had simply asked for advice on how to avoid prejudicing a section 75 claim in Call 1. I don't consider this call to be anything more than an enquiry. It also took place sometime before the later calls, so I don't think the call handler in Call 3, during a live call for a new claim, should have reasonably known about it.
- Miss S mentioned "section 75" once near the beginning of Call 2. But I don't think that means the call agent should have specifically mentioned this again to Lloyds' disputes team after transferring the call.

I say that because Miss S, for the rest of the 15-minute call, proceeded to go into detail about her dispute with E, without mentioning section 75 ever again. The bulk of what I consider to be a simple triaging call was about Miss S's dispute with E.

In the circumstances, I think it was reasonable of the agent to think the main purpose of Miss S' call was to ask Lloyds for help getting her money back – which was what the call agent ended up relaying to the disputes team before transferring the call. Given it was Miss S' dispute circumstances that was pertinent to Lloyds' disputes process (where a chargeback must be tried first), I think the agent acted reasonably.

In short, I don't think Lloyds did anything wrong during the earlier calls. And I don't think the call handler in Call 3 ought to have thought Miss S specifically wanted to raise a claim under section 75 rather progressing her claim through Lloyds' usual disputes process. That said, I still need to consider if the agent in Call 3 adequately explained Lloyds' disputes process.

Call 3 lasted around an hour. After Miss S gave her account of what happened, the call handler explained in detail how the disputes process would work for a “goods not as described or faulty” claim. There were discussions about following “Mastercard’s rules”, waiting 15 days to pass before making a claim, the minimum actions Miss S needed to take to satisfy Mastercard’s requirements, the need to make the car (or engine) available for collection to “tick Mastercard’s boxes”, the need to ensure everything is done right as there is only one dispute chance, and the requirement to raise the dispute within 120 days. In other words, comments that could only reasonably relate to a chargeback rather than a section 75 claim. Additionally, the call handler helped Miss S compile the evidence she needed to raise a chargeback claim.

In summary, the call handler explained the steps Miss S would need to take to put her in the strongest position possible for a chargeback claim against E. And short of using the word “chargeback”, it’s difficult to fault the service the call handler provided.

Miss S said that because she has no knowledge of the chargeback process, Lloyds omitting to say “chargeback” led her to believe the claim was raised under section 75. She had no reason to contest what Lloyds said or the steps it asked her to take, as she mentioned “section 75” previously. She says Lloyds should have named the process it was using.

I appreciate what Miss S is saying, but as I previously said I don’t agree the call handler in Call 3 should have known she wanted to claim specifically under section 75. So I don’t think the call handler had reason to treat Miss S any differently from the average consumer.

It’s clear the call handler took a pragmatic approach, avoided the use of jargon, and set out what Miss S specifically had to do to comply with Lloyds’ disputes process. If Miss S had prompted the call handler to explain what dispute process was being used – then there would be an obligation on the call handler to explain things further. But that’s not the case here, and I don’t consider the call handler to have acted deceptively in any way. Additionally, I don’t think Miss S described any “aggressive” or other behaviour from E that might have otherwise suggested proceeding with a chargeback claim would have likely caused harm.

That said, I accept it would have been better if the agent put a “chargeback” label on the process. But I think it would be unfair to say that one omission means Lloyds provided poor service, especially as Miss S had to go through the chargeback process first according to Lloyds’ policy. Pragmatically, I don’t think the call agent would have any reason to believe the label would make any material difference. So I don’t think Lloyds acted unfairly here.

Would a clearer explanation from Lloyds make any difference?

I’ve also considered what would have likely happened if Lloyds had made it clearer to Miss S that it was raising a chargeback claim. Having done so, similar to our investigator I still think it’s likely Miss S would have proceeded with the chargeback claim, for the following reasons:

- I cannot say for sure what Lloyds would have told Miss S if there was a conversation about the chargeback and section 75 process. But I think it reasonable to assume Lloyds would have informed her how each worked, and listed key pros and cons.
- Miss S would have likely been made aware that chargebacks must be raised within a certain time. So if the claim is dealt with under section 75 first, the chargeback might time out – unlike section 75, which has no time limit and could have been raised later in the event the chargeback didn’t succeed.
- She’d have likely been correctly informed chargebacks can sometimes result in a successful claim in circumstances where section 75 might not. And likewise, that

claims are often successful under section 75 where they wouldn't be under the chargeback process. But because raising a chargeback first wouldn't preclude her from raising a section 75 claim later - trying it first (before it times out) generally increases the chances of getting a refund.

- A chargeback would have resulted in funds being temporarily taken from E, unlike section 75 where Lloyds would compensate her directly.
- But if Miss S had then raised concerns about legal action from E, I think Lloyds would have likely explained that E would still have a fair chance to defend a claim under the chargeback process. Because of that fair chance, it would be unusual for E to initiate legal action if it failed to defend the claim.
- Because of the above, it's unlikely E would have initiated court proceedings – especially as E had not displayed any “aggressive” behaviour in its written communication with Miss S. It simply disagreed it was responsible for the faults. I think it's unlikely Miss S would have been concerned about the chargeback.
- Lloyds would have also insisted on raising a chargeback in line with its policy. There was little reason not to follow it. And as Miss S was unfamiliar with the section 75 and chargeback process, and had passively agreed to follow Lloyds' advice during the calls leading up to and including 15 November 2023, I think it's likely she'd have continued to follow Lloyds' advice and agreed to the chargeback anyway.

For all the above reasons, I agree with our investigator that even if Lloyds explained the process more clearly, it would have fairly advised her to try the chargeback first and Miss S would have likely consented to Lloyds raising a chargeback.

I say all that while bearing in mind Miss S' solicitors' comments about the chargeback being “inappropriate” for a complex breach of contract claim. The chargeback being successful is strong evidence the claim met Mastercard's chargeback criteria – so I don't agree initiating the chargeback process was “inappropriate” in Miss S' circumstances.

I've also considered the further call between Miss S and Lloyds on 18 December 2023 – but I don't think it provides much assistance here. Lloyds' call notes indicate Miss S had called Lloyds back on 18 December 2023 to initiate the claim. But as she didn't mention section 75 during this call according to Lloyds' notes, it reasonably proceeded to raise the chargeback.

Miss S recently produced the call recording for the 18 December 2023 call, but I think it simply corroborates Lloyds' call notes. A large proportion of the call involved Miss S explaining what happened with E and sending Lloyds some further evidence she had - including a report from her local garage. The agent also explained he would raise a temporary credit for Miss S, after which E had 45 days to challenge the dispute under Mastercard regulations. And if the challenge was successful, the credit would be re-debited.

He also went on to say “...when we key a chargeback, we normally put a credit into the account, it normally takes 3-5 working days to clear into the account, but this needs to get through an extra level of authorisation...that may take a bit longer...it will show on your statement as an adjustment to the account...”

The agent explained the chargeback process clearly and I haven't heard anything from the call that persuades me the agent did anything wrong. I also didn't hear any reference to “section 75” that might have otherwise prompted a discussion about it. So overall, I don't find Lloyds acted unfairly by proceeding to raise the chargeback.

Did Lloyds cause Miss S' losses?

I could stop there. But for completeness I've also considered if it would be fair to hold Lloyds responsible for Miss S' losses, even if I accept (1) Lloyds should have pursued a claim under section 75 instead of chargeback, and (2) raising the claim under section 75 wouldn't have resulted in E initiating court proceedings.

Even if E wouldn't have otherwise taken legal action, it doesn't mean Lloyds is responsible for any resultant losses. Those losses must still be a reasonably foreseeable consequence of Lloyds' alleged mistake and not too remote.

But at no point before the chargeback was raised do I consider it reasonably foreseeable that E would have initiated court proceedings, for the reasons I set out previously. In short, I don't think E exhibited "aggressive" behaviour in its communication with Miss E, nor have I seen anything else at the time of the chargeback to suggest E was likely to initiate court proceedings if Lloyds followed its standard disputes process.

Additionally, there were decisions by various parties between the chargeback and the legal costs Miss S incurred. E's decision to take legal action was particularly unusual – more so given its payments processor would have likely concluded E's chargeback defence did not have reasonable prospects of success - not reasonably foreseeable, and what I consider to be the main cause of Miss S' legal costs. This decision breaks the chain of causation.

In summary, I find that Lloyds handled Miss S' claim fairly and in line with its disputes process. Even if it was clearer about the process, I'm persuaded Miss S would have acted in the same way, so I don't think Lloyds caused any material loss. And crucially, I wouldn't have considered Miss S' losses to have been caused by Lloyds' actions as they weren't reasonably foreseeable and were a result of E's intervening decision to take legal action.

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 Miss S to accept or reject my decision before 7 July 2025.

Alex Watts
Ombudsman