

## **The complaint**

Mr H complains about the way Lloyds Bank Plc handled a claim he made in respect of a transaction made with his credit card.

## **What happened**

In March 2024, Mr H made a purchase using his Lloyds credit card account. The purchase cost £52.99 and was intended as a gift. When Mr H gifted the item some months later, he found the item was broken.

Mr H says he initially attempted to resolve the matter with the merchant but didn't get a reply. He then contacted Lloyds who told him to make the item available for a return. The merchant did eventually reply and told Mr H that it would send a replacement to him once it had received the faulty item back, and he would need to return the item at his own cost. Mr H felt that expecting him to pay for the return was outside of the Consumer Rights Act 2015 ("CRA").

Mr H subsequently contacted Lloyds again and it raised a chargeback for him. The merchant defended the chargeback stating that it offered Mr H a replacement if he returned the item, but he didn't do this and instead started the chargeback process. Lloyds decided not to continue to dispute the transaction and let Mr H know.

Following the outcome of the chargeback, Mr H had some conversations on the phone with Lloyds where he was provided with incorrect and misleading information. Lloyds offered Mr H £70 for the information it gave him. But it didn't think it had done anything wrong in taking the decision not to continue with the chargeback.

Mr H didn't agree with Lloyds' response and so he referred the matter to this Service.

An Investigator considered what both parties had said. They felt that Lloyds had correctly followed the chargeback process and had acted entirely appropriately in deciding not to pursue it further. And they also felt Lloyds offer of £70 was a fair way to compensate Mr H for the customer service issues he'd had.

Mr H didn't agree. And so the complaint has been passed to me to decide on the matter.

## **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.

Having considered all of the evidence available to me I uphold Mr H's complaint for much of the same reasons as the Investigator.

I think it's important to firstly 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 Mr H's complaint in considerably less detail than he has. 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'm sorry to have read of the issues Mr H has had with the merchant. However, as Lloyds aren't the supplier of the goods, I can only consider whether it acted fairly and reasonably in light of its role as the finance provider.

In deciding if Lloyds has acted fairly and reasonably, I have thought about the ways it could have helped Mr H get a refund for the item he says was faulty. In this case, I consider the chargeback process and Section 75 of the Consumer Credit Act 1974 ("Section 75") to be relevant.

### Chargeback

The chargeback process provides a way for the card issuer – in this case Lloyds – to help a customer claim a full or partial refund of the amount they paid on their card, if certain things go wrong with what they've purchased.

The process is overseen by the card scheme – in this case, Mastercard. Card schemes set out various rules covering things such as what sort of scenarios are eligible for chargeback, the kind of evidence required, and the timescales for a chargeback to be raised. The chargeback scheme rules are available on Mastercard's website.

Generally speaking, it is good practice for a card issuer to attempt a chargeback where the right exists and there's some prospect of success. That said, they're not guaranteed to be successful, and a consumer is not able to demand that their card issuer attempt one. A chargeback can be defended too; the party which received the payment can resist a chargeback attempt. If neither the consumer nor the merchant concedes then, ultimately, the card scheme itself can be asked to rule on the dispute in a process called arbitration.

I should add here that the chargeback process itself doesn't necessarily have to take into account relevant law. I can see Mr H is particularly keen to understand whether the CRA was taken into account when his chargeback claim was declined, but it is unlikely it was. And there's nothing wrong with this. The Mastercard guidance<sup>1</sup> sets out what the scheme is and isn't. I accept that this guidance was issued during the COVID-19 pandemic, however, I think the principle about what a chargeback is and isn't still applies today. So, I think the guidance here remains relevant. For example, the guidance states the scheme is intended to resolve chargeback disputes between Mastercard customers, it is governed by Mastercard Standards and is based solely on claims, evidence and materials presented. The guidance confirms that the chargeback scheme is not legal adjudication of consumer or merchant rights under law. It is also not governed by local law of each country. And it isn't a substitute for court cases or proceedings under law. So it's unlikely Lloyds took the CRA into account when deciding how to proceed with Mr H's chargeback claim. This isn't to say that Mr H doesn't have rights under the CRA still, but he would need to seek his own legal advice on this in relation to a potential claim against the merchant.

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. In addition to this, a chargeback will only likely have a prospect of success if the chargeback rules have been met.

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<sup>1</sup> *Dispute Resolution Management During COVID-19 (Public Version) published May 2020.*

Lloyds raised Mr H's dispute under the chargeback scheme, and I have considered what both parties have said about the chargeback along with the wider evidence about the scheme rules to decide if Lloyds acted fairly and reasonably in handling the claim.

When Lloyds raised the chargeback, it summarised Mr H's concerns. Based on this information Mr H has provided this service; I'm satisfied that Lloyds had summarised events accurately. And I can see that Lloyds processed the charge under the reason code for "Goods or services not as described or defective" which I think would have been the most suitable code in these circumstances.

The merchant responded to the chargeback and defended the claim. It stated "*Buyer contacted us 71 days after purchasing requesting to return item. We asked buyer to return item for a replacement as per t&cs attached. Buyer refused/didn't respond then opened this chargeback.*"

The merchant also provided a copy of the terms and conditions from its website which state that faulty items can be returned within 14 days, and a replacement will be sent or store credit offered. The item will need to be returned.

Where the merchant defends a claim, it is up to Lloyds to decide whether or not to take the dispute further and ultimately on to arbitration to be decided by Mastercard – and it would usually only do this if it thought it had a reasonable prospect of success. I can't know for certain what view Mastercard would have held had the chargeback been taken to arbitration, however, I think on balance, the merchant's arguments and evidence would have been favoured over Mr H's.

I say this because the merchant had already offered a resolution to remedy the faulty goods Mr H says he received. And Mr H's return fell outside of the time stated in its terms and conditions for a replacement to be sent. So I don't find it likely that Mastercard would have taken the decision to uphold Mr H's dispute in light of the evidence. So I don't find that Lloyds acted unfairly or unreasonably in deciding not to continue with Mr H's claim.

I note that Mr H says he was told by Lloyds to make the item available for return, which he did. He says that Lloyds didn't tell him to send the item back, just to have made it available for a return. And had he known he needed to return it, he would have done this. I haven't listened to the call Mr H has referred to, but I have accepted that what he is saying is accurate. I'm not persuaded that his returning the item would have led to a different outcome in relation to the chargeback. I say this because even if Mr H had returned the item, the merchant would likely still have defended the claim on the same grounds. And a refund wouldn't have been provided, but a replacement may have been sent as a suitable resolution.

In any event, from reading the correspondence between Mr H and the merchant, I find it unlikely that his intention was to return the item at his own expense, because he felt that this was in breach of his rights under the CRA, which I've already explained I can't take into account when considering a chargeback claim.

I haven't seen any evidence to suggest that Lloyds didn't follow the chargeback process correctly. It submitted the claim within a reasonable period of time from when Mr H raised it, it considered the defence provided by the merchant, and it ultimately didn't think that the claim had a much prospect of success at arbitration and so decided not to continue. I don't think this was unfair or unreasonable – or that Lloyds didn't follow the process it was required to.

It follows that, I'm satisfied Lloyds acted fairly and reasonably when it considered Mr H's chargeback claim.

### *Section 75*

Section 75 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. But as I understand it, Mr H did not raise or intend to raise this issue with Lloyds or this Service. However, for completeness, I have considered whether raising his claim under Section 75 would have resulted in a different outcome for Mr H, and I don't think it would have.

I say this because one condition which needs to be met for Section 75 to apply to a transaction is the claim must relate to an item, or service, with a cash price of over £100 and no more than £30,000. Because Mr H's claim is for £52.99, his claim doesn't meet the criteria required for a Section 75 claim.

### *Customer Service*

I note that Mr H received some confusing information from Lloyds in relation to his case. For example, it told him that Section 75 and the CRA were the same thing. It also told Mr H that the supplier was offering a refund which wasn't correct. Having taken Lloyds actions into account, alongside this Service's published approach to distress and inconvenience awards, I'm satisfied that the £70 Lloyds has already agreed to pay is enough to put things right here.

I say this because while I accept it must have been frustrating and confusing to have received this information, I don't think this has materially impacted the outcome of this case or caused delays in its resolution. I'm satisfied that it was a relatively minor mistake, which caused Mr H some confusion. In my view, £70 is enough to compensate him for this.

### **Putting things right**

Lloyds should put things right for Mr H by paying him an additional £35 (£70 in total) for the distress and inconvenience caused to Mr H as a result of the service he received.

### **My final decision**

For the reasons set out above, I uphold Mr H's complaint in part. I order Lloyds Bank PLC to put things right for Mr H by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 19 June 2025.

Sophie Wilkinson  
**Ombudsman**