

The complaint

Mrs J complains that Lloyds Bank PLC mishandled her chargeback request.

What happened

Both parties are aware of the details of the events leading up to this complaint and our investigator has set these out in the view which he issued. In the interests of brevity, I will set out a short summary in this decision.

Mrs J entered into an undated contract with a builder to renovate and extend a property. The contract sets out the agreed work in some detail, but does not identify the address of the property.

Mrs J agreed to pay a deposit of £6,000, £10,000 on Friday 22, £8,000 on 10 April and £6,000 on completion.

The bank's records show she made the following payments:

26 Feb 24 £1,200

06 Mar 24 £1,750

08 Mar 24 £500

14 Mar 24 £6,000

25 Mar 24 £10,000

26 Apr 24 £4,000

03 May 24 £4,000

Mrs J has told us she also paid £2,000 in cash. The bank has said the payments were made by chip and pin.

Mrs J says the quality of the work was unsatisfactory and the builder also damaged a neighbour's property. The work was taking longer than planned and several areas did not meet the building inspector's requirements. Relations between the builder and Mrs J broke down and communications ended. The work was not completed.

On 20 May 2024 Mrs J contacted Lloyds and it obtained details of the dispute. It raised a chargeback for all the payments she had made to the builder and gave her a temporary refund while the matter was pursued. The builder challenged the claim and said the work was 90% complete. He said Mrs J had asked him to do extra work without payment. Mrs J provided further evidence and Lloyds took the matter to pre arbitration. The builder explained that the fact the payments were made by chip and pin showed Mrs J had authorised them at each stage of the building work. Mrs J complained and Lloyds accepted it had delayed matters and had not provided the best customer service for which it apologised and paid her

£50.

Mrs J has explained that in addition to the delays Lloyds had not let her know why the initial chargeback had been challenged by the builder so she could rebut it. She also provided a quote from another builder to complete the work but this had not been used in the chargeback request.

Mrs J said that she had not been fully informed about the money being re-debited to her account and this had caused her financial harm. On 25 July the bank had told her that it had enough information to continue the dispute and if she didn't hear from it within 40 days it meant the builder had accepted the chargeback. However, the bank contacted her after 49 days to say the chargeback had failed and giving her 10 days to provide additional evidence.

She had ended up in some financial difficulties since she had presumed the money had been returned and so she spent some of it on the ongoing works. In addition, she explained she had been advised by the bank to use chip and pin as this gave her greater financial protection.

Mrs J brought a complaint to this service where it was considered by one of our investigators who recommend the level of compensation be increased by £300.

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've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point raised by Mrs J or Lloyds, it's not because I've failed to take it on board, but because I don't think I need to comment on it in order to reach what I think is the right outcome.

I consider there are two elements to this complaint. Firstly, did Lloyds mishandle the chargeback so as to cause Mrs J distress and inconvenience? Secondly, did its handling of the chargeback cause it to fail?

Chargeback allows for a refund to be made of money paid with a credit or debit card in certain scenarios, such as when goods have been paid for and not received. A consumer cannot insist on their bank making a chargeback, but I would expect it to attempt one, as a matter of good practice, if there was a reasonable prospect of succeeding and to do so would be compliant with the rules of the card scheme to which the card belongs, in this case Visa.

As our investigator noted, chargebacks are subject to the rules set out by Visa. The card schemes are not within the jurisdiction of the Financial Ombudsman Service and we are unable to require them to run their chargeback schemes in a particular way. However, we can consider whether a card issuer has applied the rules correctly and conducted the chargeback process in a competent manner.

As our investigator has pointed out chargebacks are not always best suited to more complex disputes such as this one where there is a degree of subjectivity about the quality of work and the delays. However, within the strict rules operated by Visa there is scope to consider a chargeback covering goods or services not received or as described. So, I consider it was right of Lloyds to pursue a chargeback on Mrs J's behalf. That said I consider there were a number of failings by the bank in its handling of the claim.

Lloyds has acknowledged that due to an internal error the chargeback had not been processed as quickly as it should. The chargeback was made on 20 June and a temporary credit was made to Mrs J's account. Mrs J thought the 45-day time limit whereby if no pushback was received her claim would be held to be successful began when she made her claim. However, it does not begin until the actual chargeback is made.

Lloyds asked Mrs J for more information, but didn't specify what it needed. She supplied more material and evidence by 4 July. In the meantime Lloyds had gone ahead and pursued the chargeback rather than waiting.

There were a number of online exchanges between Lloyd and Mrs J and she felt able to use the temporary credit to fund further building work. I can see that the Lloyds staff were seeking to be supportive and there was a degree of confusion in some of these exchanges. As our investigator has pointed out the majority of the expenditure on additional building work was incurred after it was made clear to her that the money would be re-debited.

So, Lloyds delayed matters, didn't use all the information it could have done and gave Mrs J confusing messages about the success of her claim. Overall, I think that the delays and the lack of clarity caused Mrs J distress and inconvenience and I agree that the compensation should be increased to £350.

Turning to the outcome of the chargeback I can see that again Lloyds could have handled it better. It didn't make use of all the material provided by Mrs J and it didn't share the builder's defence with her. She has said this would have allowed her to challenge it.

Lloyds made a second attempt, but without the independent report the builder's bank had suggested. This second attempt was also challenged and additional arguments put forward. The merchant's bank said that Mrs J had authorised each payment which indicated a degree of satisfaction with the work up to that point.

Having reviewed the evidence I am not persuaded that the outcome would have been different had Lloyds handled it more effectively. Mrs J did submit an estimate from another builder for work on a property, but this is not an independent report on the work done by the original builder. While this estimate is of some use it is not a clear rebuttal of the builder's claims. I have also noted the letter from the building control officer who pointed out some issues with the work, but again it is not clear that the builder was given the opportunity to rectify these issues. This letter deals with four issues and does not address the wider matters raised by Mrs J in her claim.

I believe that the additional material would have allowed Lloyds to make a better claim, but I am not persuaded this would have resulted in a successful one. I am satisfied that the builder would have continued to dispute the chargeback so if it was to be taken further it would have to have been put to Visa for its arbitration. It would adopt a strict approach to each separate transaction and it is hard to reconcile the payments made with the contract and the agreed payment schedule. This makes it difficult to say what each payment related to and whether the service had been provided for each payment.

It is also worth noting that chargeback does not cover any additional expenditure incurred by Mrs J such as the cost of renting another property while the work was carried out. She could only obtain the money directly related to the work not done or not done properly. So while I understand she is unhappy with the work done by the builder the evidence does not directly identify which sums might be refundable.

Quite simply I cannot safely conclude that a chargeback would have been successful even if Lloyds had made use of the evidence supplied by Mrs J. So while I understand her

frustration I do not consider I can ask Lloyds to refund the money paid over to the builder.

Finally, I have considered if Lloyds' communication caused Mrs J to incur an overdraft. It didn't always provide clear communications and Mrs J felt she was able to spend the money re-credited to her account on a temporary basis. However, its letter of 28 June does make it clear that the funds could be reclaimed. I also think it would have been wise for Mrs J to ensure the funds were secure before committing to spend them.

While the onus is on Mrs J to repay her overdraft I do not think it right that the bank should record any adverse credit loading on her credit reference files. Not should it charge her interest or fees for the sum re-debited to the account.

Putting things right

Lloyds should pay Mrs J a total of £350 compensation. It should not charge her any interest or fees on the £27,450 re-debited to her account until it is repaid or until two years have passed since the date it was re-debited whichever comes first.

My final decision

My final decision is that I uphold this complaint and I direct Lloyds Bank PLC to pay redress as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 23 July 2025.

Ivor Graham
Ombudsman