

The complaint

Mr H has complained that Lloyds Bank PLC “Lloyds” rejected his claim for money back in relation to some clothing items he bought using credit it provided.

What happened

The circumstances leading up to this claim aren’t disputed so I’ve only briefly set them out here. On 24 September 2024, Mr H bought a set of second-hand clothing items from a supplier who sells via an online marketplace (which I’ll refer to as V). He paid just under £156 for the items and I understand Mr H paid an additional £10 using amounts he had in his online wallet. I understand each clothing item was marketed as £12 and the seller had 15 items available for purchase. The items Mr H purchased were delivered in early October 2024.

Once delivered, Mr H says that they were sold to him as “large”, but he felt they had shrunk in the wash, and they were no longer a large size. Mr H initially tried to recover the amounts from V, but when he was unable to do so, he contacted Lloyds to help him get his money back.

Lloyds raised a chargeback request for Mr H, but this was successfully defended by the merchant saying the goods were described as large and the items received were also large. Lloyds decided not to pursue the chargeback any further. Lloyds had initially asked for any further evidence Mr H had to support his claim, and I understand Mr H provided pictures and measurements of the clothes and the size guides of the clothing manufacturers. Mr H says this shows the clothes weren’t large and he believes they likely shrunk after being washed and dried.

Lloyds maintained that the chargeback had been defended by the merchant, and it had decided the claim wasn’t guaranteed to succeed at arbitration, so it didn’t pursue the matter through to arbitration. Lloyds also considered the claim under section 75 of the Consumer Credit Act 1974 (Section 75 and CCA), but as the clothing items cost less than £100 individually, it didn’t think section 75 applied.

Unhappy, Mr H referred the matter to this service. He reiterated that the goods received were not as described as they were severely shrunk, that Lloyds hadn’t considered the evidence he had sent in, and Lloyds closed the claim down without considering it. He added that V’s terms and conditions relied on hadn’t been sent to Mr H despite requests.

Mr H’s complaint was considered by one of our investigators. Mr H confirmed to our investigator that the goods were sold based on the description of the labels (which were labelled as large) and not based on the measurements of the clothes. So, he felt that Lloyds hadn’t made any errors in relation to the chargeback claim and he agreed that section 75 didn’t apply. So, overall, he didn’t think Lloyds needed to do anything further in respect of Mr H’s claim.

Mr H disagreed. He said it’s clear from the wording of the chargeback rules that he had a strong case for a refund because the goods didn’t match the description, they were

described as large and had shrunk so weren't large. He added that the clothing items couldn't be used for their intended purpose because he could not wear them as they were much too small.

As the complaint couldn't be resolved by our investigator, I've been asked to make a 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.

Firstly, I'd like to reassure Mr H, that I have considered all his concerns carefully, but I will only be dealing with the most salient parts of his complaint in this decision as I'm required to decide matters quickly and with minimum formality.

Chargeback

In deciding this complaint, I'm only considering the actions of Lloyds and how it handled Mr H's request that it raise a chargeback on his behalf. I'm not looking at the actions of the merchant from whom Mr H ordered the goods (V).

Having considered everything very carefully, I have to tell Mr H that I'm not going to uphold his complaint, and I'll explain why.

A chargeback is the process by which payment settlement disputes are resolved between card issuers and merchants, under the relevant card scheme rules. It allows customers to ask for a transaction to be refunded in a number of situations, some common examples being where goods or services aren't provided, where goods or services are defective, or where goods or services aren't as described. In this particular case, an appropriate reason might be that goods or services Mr H paid for aren't as described.

There's no automatic right to a chargeback; the chargeback process doesn't give consumers legal rights; and chargeback is not a guaranteed method of getting a refund because chargebacks may be defended by merchants. This is because the rules, set out by the card scheme lay down strict conditions which must be satisfied for a chargeback claim to succeed. If a financial business thinks that a claim won't be successful, it doesn't have to raise a chargeback. But where there's a reasonable chance of success, I'd expect a financial business to raise a chargeback.

It's important to note that chargebacks are decided based on the card scheme's rules – in this case Mastercard's – and not the relative merits of the cardholder/merchant dispute. So, it's not for Lloyds – or me – to make a finding about the merits of Mr H's dispute with V, or whether or not the chargeback rules are fair. Lloyds's role is to raise the appropriate chargeback and consider whether any filed defence by the merchant complies with the relevant chargeback rules.

In this case Lloyds raised a chargeback for Mr H under the code 'goods and services were not as described or defective' and the merchant defended the claim. And the merchant's defence was enough to mean the chargeback for that claim didn't succeed. Where the merchant challenges a chargeback, a bank doesn't have to carry out a detailed investigation into what actually happened to decide which party deserves the money. In fact, most banks won't take a chargeback any further if it's defended. In this case Lloyds decided not to take the dispute any further due to the defence submitted by V.

Bearing in mind Mr H explained that the goods were described and sold on the basis that large size labels were attached to the clothes by the manufacturers, and he received clothing items with the corresponding labels attached described by the seller, I don't think it's unreasonable for Lloyds to have decided that it wouldn't progress the claim through to arbitration.

I appreciate on a deeper assessment of the description; Mr H is confident that the clothes have shrunk and therefore are not "large" as the labels suggest. And as they are second hand clothing that may have been washed and dried several times by previous owners, I don't think it's inconceivable that they may have shrunk somewhat during previous washes – something the merchant could argue consumers reasonably ought to be aware of when buying second hand clothes.

Chargeback is designed to be a simple process to settle complaints. The only matters to be considered are the rules set by the card scheme to which the consumer's card belongs, along with the facts of the case. It is not designed to settle complex disputes or to consider legal arguments as to whether the items have been misrepresented to him, whether the clothes were shrunk, whether they shrunk to such a degree they are no longer a "large" and who shrunk them – before or after they were delivered to Mr H.

I am not suggesting the clothing items were shrunk by Mr H, I can see he raised concerns shortly after the items were delivered. I am merely setting out the number of complex arguments that could be made in this sort of claim. I also understand that Mr H feels that the clothing items cannot be used for their intended purpose as he cannot wear them as they don't fit. But they can be worn, and are not damaged, they are simply smaller than he expected.

Having reviewed Mr H's evidence, I cannot see that Lloyds would be guaranteed to win if it chose to pursue the matter further through to arbitration. It wasn't the case for example that the merchant's defence was noticeably poor or lacking in credibility. Based on the literal description of the clothing items, Mr H received what he ordered. The items were sold as having large labels and that's what Mr H received. I can't say that Lloyds made any mistake or acted incorrectly by making that decision. So, I don't think it was unreasonable for it to decide not to pursue the matter further after V successfully defended the chargeback request. I've also looked at whether other reason codes could have been used to initiate the chargeback, but I can't see any that would have had any more chance of success.

I understand Mr H has asked for clarification of V's terms and conditions but as explained above, I am not looking at a claim against V and I'm not commenting on whether Mr H has a valid claim against V or whether it breached its own contractual terms. I can only assess whether Lloyds has progressed Mr H's chargeback claim reasonably, in accordance with MasterCard rules and I think it has. It correctly identified the reason code to request the chargeback, it requested the chargeback and the merchant defended it. Lloyds doesn't seem to have made any errors in this regard.

Overall, there's nothing I've seen that suggests Mr H's claim was certain to succeed if it went through to arbitration; the merchant's defence meant the chargeback didn't succeed. And I'm persuaded that Lloyds took the claim as far as it reasonably could've done given the merchant's defence. So, in view of this, there's nothing more that I would've expected Lloyds to do.

I understand Mr H submitted evidence to Lloyds that set out measurements of the actual items received compared to the manufacturers size guide, to support his claim. And he remains unhappy this wasn't considered. As explained by our investigator, when Lloyds initially started investigating his claim, it's not unusual for it to ask for evidence that will

enable it to both make a claim for chargeback or try to gather evidence to consider a section 75 claim. But as I'll explain below, on a thorough review of his claim, it became apparent that Mr H couldn't make a claim under section 75 of the CCA, so Lloyds then didn't then need to consider the evidence submitted.

Section 75 claim

It may be helpful to explain that Section 75 is a statutory protection that enables Mr H to make a 'like claim' against Lloyds for breach of contract or misrepresentation by a supplier because he paid for the goods using a Lloyds credit card. This can be used to consider complex disputes involving matters that Mr H has raised, such as whether the goods were of satisfactory quality or whether the goods were misrepresented to him. This type of claim would enable Mr H to submit evidence where a deeper and more complex assessment of his claims could have been made.

But there are certain conditions that need to be met for section 75 to apply. One of which is that a single item must cost more than £100, but less than £30,000. But I understand that the clothing items Mr H purchased cost significantly less than £100 individually. This means that as each single item Mr H purchased cost less than £100, his credit card provider (Lloyds) is not jointly and severally liable with V.

This doesn't mean that Mr H has no claim against V, but that he cannot bring a like claim against Lloyds. So, I don't think Lloyds acted unfairly by not considering Mr H's claim under section 75 which is why it didn't have to go on and assess the merits of Mr H's claim and consider the evidence further. Mr H is however free to pursue the matter against V directly.

Summary

While I am sorry to hear Mr H is unhappy, I don't think Lloyds made any errors when it considered his chargeback claim and I don't think it acted unfairly by refusing to consider a claim under section 75 of the CCA. So, I don't think Lloyds' response to his request for a refund was unreasonable and I don't ask it to do anymore.

I would also point out Mr H doesn't have to accept this decision. He's free to pursue the complaint by more formal means such as through the courts.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 11 September 2025.

Asma Begum
Ombudsman