The complaint

Mr D complains about the way in which Clydesdale Bank Plc handled his claim for a refund when accommodation he rented was not of a satisfactory standard. The bank trades in this case under its Virgin Money brand, and Mr D paid for the accommodation with his Virgin Money credit card.

What happened

In May 2024 Mr D booked two rental apartments in Germany for a group of seven to attend the Euro 24 football tournament. He booked through a well-known booking website, which I'll refer to as "B", and paid €3,005, equivalent to £2,584, using his Virgin Money credit card.

Mr A says that, on arrival, he found that the apartments were not what had been described to him. The entrance to the block was dirty, the entrance door had been vandalised and would not lock, the steps up to the door were damaged and dangerous, there was a smell of damp, and towels had not been cleaned. He contacted the owner, but they denied there was any problem – and initially accused Mr D and his party of having damaged the door.

Mr D and his party decided not to stay at the apartments and booked alternative accommodation. The property owner refused to provide a refund.

Mr D therefore contacted B to explain that he had not stayed at the accommodation and the reasons why. It said it would contact the owner and asked Mr D to provide photographs to support what he had said about the property.

On his return to the UK Mr D contacted Virgin Money about the matter. Mr D provided some evidence to support his claim, including copies of the booking and of his exchanges with the owner and with B. Virgin Money applied a temporary credit to Mr D's account and submitted a chargeback request. B defended that request, so Virgin Money contacted you again seeking further evidence, in particular evidence of the issues which you had raised about the quality of the accommodation. It asked for a response by 28 September.

Unfortunately, you were unable to respond within that timeframe, as you were working away from home. On 4 October 2024 Virgin Money wrote to you to say that it would be able to take matters any further, as you had not responded by the deadline of 28 September. You then sent photographs of the entrance to the property, dirty towels and the door that you said was broken, as well as general images.

Virgin Money said that it still could not progress the claim any further. It added that it could not consider a claim under section 75 of the Consumer Credit Act 1974 either, because payment had been made to B, not to the property owner. The temporary credit was reversed.

Mr D complained about the outcome, first to Virgin Money and then to this service. One of our investigators considered what had happened but did not recommend that the complaint be upheld. He agreed that section 75 did not apply and thought that there was insufficient evidence to support a chargeback. Mr D did not accept the investigator's assessment and asked that an ombudsman review the case.

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.

Where a customer has a complaint about the provision of goods or services paid for with a credit card, there are two ways in which they might obtain a refund or other compensation – chargeback and section 75. I'll discuss each in turn.

Chargeback

Where goods or services are paid for with a debit or credit card and a dispute arises, it is sometimes possible to resolve that dispute through the chargeback process. Chargeback is a scheme run by the card schemes (in this case, Mastercard). A card issuer (here, Virgin Money) raises a claim through the scheme against the merchant's provider of card facilities. That provider will then consider whether the claim meets the relevant criteria for chargeback (if necessary, seeking evidence from the merchant) before responding to the claim. Where necessary, the scheme provides for arbitration between the financial businesses.

Chargeback is however primarily a scheme for resolving disputes about payment settlements – including, for example, where payments are not authorised or are duplicated. But a card issuer can also submit a chargeback request where services are not delivered or are not as described. It can therefore have the effect in some cases of resolving disputes between merchants and consumers, but it is not always an appropriate or effective mechanism for achieving that aim.

There is no legal or regulatory obligation on a card issuer to pursue a chargeback claim, but this service takes the view that they should do so where there is a reasonable prospect of success.

In this case, Virgin Money did initiate a chargeback request, but it was not immediately successful, because B and the accommodation owner disputed Mr D's right to a refund. The bank took the view that it was not appropriate to pursue it any further, because it did not have any new evidence within the relevant timeframe. There were good reasons for that – Mr D was working away from home and not in a position to respond to Virgin Money's further information request. But, whilst that was unfortunate, I agree that, without the additional evidence it had requested, Virgin Money could not realistically take matters any further.

Mr D did later submit further evidence, including photographs of some parts of the accommodation. In view of my findings above, I do not need to comment on them. But I am not persuaded that, even if they had been available earlier, those photographs would have changed the outcome of the chargeback process. They do show that the entrance to the property was in a poor state; there is graffiti on the door, for example. Internal photographs indicate the property was in need of decoration. But it is less clear that it can properly be said that the apartments were not as described or that no service was offered.

Section 75

Section 75(1) of the Consumer Credit Act says:

75 Liability of creditor for breaches by supplier.

(1) If the debtor under a debtor-creditor-supplier agreement falling within section 12(b) or (c) has, in relation to a transaction financed by the agreement, any claim against the supplier in respect of a misrepresentation or breach of contract, he shall have a like claim against the creditor, who, with the supplier, shall accordingly be jointly and severally liable to the debtor.

Section 12(b) of the same act, which is referred to in section 75, says:

12 Debtor-creditor supplier agreements.

A debtor-creditor-supplier agreement is a regulated consumer credit agreement being —

…

(b) a restricted-use credit agreement which falls within section 11(1)(b) and is made by the creditor under pre-existing arrangements, or in contemplation of future arrangements, between himself and the supplier, or …

And section 11(1)(b) says:

11 Restricted-use credit and unrestricted-use credit.

(1) A restricted-use credit agreement is a regulated consumer credit agreement —

…

(b) to finance a transaction between the debtor and a person (the "supplier") other than the creditor, …

and "restricted-use credit" shall be construed accordingly.

When Mr D booked his accommodation in Germany, B acted as agent for the host – that is, the party renting out the accommodation. And it was B which took the credit card payment. That means that the rental was financed under "pre-existing arrangements" between B and Virgin Money, not between the host and Virgin Money. It follows that the arrangements for the supply of and payment for the apartment did not fall within section 12(b) and that section 75(1) could not apply to this case.

In the circumstances, I think that the bank's decision not to meet a claim under section 75 was a reasonable one.

My final decision

For these reasons, my final decision is that I do not uphold Mr D's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 28 August 2025.
Mike Ingram
Ombudsman