

The complaint

Ms B has complained about the way Clydesdale Bank Plc trading as Virgin Money ("Virgin Money") dealt with a claim for money back in relation to a villa she paid for using her credit card.

What happened

In September 2023, Ms B used her Virgin Money credit card to pay the deposit of £2,924 for a villa through a booking agent I'll refer to as D. She paid the remaining balance of £6,821 using a separate credit card with another financial services provider. In total she paid just over £9,745 and booked to stay between 10 August 2024 and 17 August 2024. The booking form shows the booking was for 11 adults.

Ms B says there was significant problems with the water supply, and she informed the villa management about this on the third day of her holiday, but problems persisted. Ms B said she has a disability and felt this made it difficult for her to move to alternative accommodation for the remaining part of the holiday or to search for accommodation for such a large group of people.

On return from the holiday, she contacted D directly explaining the problems she'd experienced. She said she'd given the villa management the opportunity to resolve matters, but the problems had persisted. D explained that the problems with the water pressure was due to the authorities in that country having had water restrictions in place at the time which was outside the control of the villa management. D offered a £200 voucher for the difficulties experienced and the villa management subsequently offered a refund of £500.

Unhappy Ms B raised a complaint with Virgin Money – and asked for a refund for a day's stay amounting to £1,392, which she felt was fair given the difficulties she and her party experienced while staying at the villa. On 12 November 2024, Virgin Money raised a chargeback request and credited £1,392 to Ms B's account while it considered the dispute. But D defended the dispute explaining that Ms B and her party had stayed at the villa for the full duration of the booking and that it has offered her £200 voucher in recognition of the service issues she'd raised. It also said the villa owners had offered £500 compensation. Virgin Money then re-debited £1,392 to the account explaining that the chargeback had been defended.

Virgin Money also considered a claim under section 75 of the Consumer Credit Act 1974 ("s.75"). But it said she didn't have the necessary debtor – creditor – supplier (DCS) agreement to bring a claim for the issues she'd raised so it didn't think she had a valid claim under s.75. Virgin Money did however pay Ms B £75 compensation for not meeting her communication needs while investigating her disputes.

Our investigator looked into things and felt the way Virgin Money dealt with Ms B's chargeback request was fair. Based on the available evidence that Ms B used the villa for the duration of the stay, and as she'd been offered compensation for the lack of water, she didn't think Virgin Money was wrong not to pursue the chargeback any further. She also agreed that Virgin Money's response to Ms B's s.75 claim was fair because D acted as

agent for the booking, and Ms B didn't have the necessary DCS agreement for a claim for issues with the water supply against the villa management directly. She felt the compensation for poor service was fair and made no further recommendations against Virgin Money.

Ms B didn't agree explaining the compensation of £500 was not enough given the difficulties experienced, and in any event wasn't offered by D, but by the villa management. D had only offered a £200 voucher. She also re-iterated that while she and her party stayed at the villa for the duration of the trip, given her disability and the large group staying at the villa it would have been difficult for them to move for the last few days of the trip. Additionally, she felt the package holiday terms should apply as although she didn't book the flights through D, she did initially intend to but didn't because it had been too expensive to book through D. She also felt she didn't fully utilise the villa due to the significant difficulties faced with the water supply. She also pointed out that D's terms set out the maximum amount of compensation it would be liable for, but this wasn't taken into account in deciding whether the amount of compensation she'd been offered was fair.

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 Ms B, that I have considered all her concerns carefully, but I will only be dealing with the most salient parts of the 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 Virgin Money and how it handled Ms B's request that it raise a chargeback on her behalf. Virgin Money is only responsible for ensuring that Ms B's claim for a refund is correctly processed and is not responsible for everything D did that Ms B might be unhappy with.

Having considered everything very carefully, I have to tell Ms B that I'm not going to uphold this part of her 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 a credit isn't processed in line with a merchant's refund policy. In this particular case, an appropriate reason might be that services provided by D was defective or not as described.

The chargeback rules set out by the card scheme lay down strict conditions which must be satisfied for a chargeback claim to succeed – so customers aren't guaranteed to get a refund through the chargeback process. 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 – and not the relative merits of the cardholder/merchant dispute. So, it's not for Virgin Money – or me – to make a finding about the merits of Ms B's dispute with D, or whether or not the chargeback rules are fair. Virgin Money's role is to consider if Ms B

has met the conditions required to enable it to raise a chargeback on her behalf and consider any defence submitted by D based on the facts of the case.

I understand Virgin Money did raise a chargeback, under the reason code *goods or services were not as described or were defective*. Given the nature of Ms B's claims I think Virgin Money acted correctly in trying to raise a chargeback under this reason code.

However, the chargeback request was successfully defended by D as it advised that it had offered her a £200 credit voucher, and the villa owners had offered her £500 compensation for the issues with water pressure. So, Virgin Money decided not to pursue the chargeback any further.

As explained by our investigator, part of the rules say in order to pursue a chargeback, one of the conditions must be that the merchant refused to adjust the price or issue a credit. But D offered a credit voucher, and the villa owners offered £500 compensation. So, I think this is a valid defence. I've thought about the level of compensation offered by D and understand Ms B doesn't feel this is sufficient given the significant trouble she experienced, But the rules do not specify how much compensation or credit the merchant has to offer. But if some credit or compensation are offered, then the chargeback request fails. From my experience as Ms B had stayed at the villa for the duration of the booking, and as D gave a valid defence under the rules, I don't think Virgin Money's response to the dispute was unreasonable under the scheme rules.

In a chargeback dispute, 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 explained above, Virgin Money isn't expected to consider the relevant merits of Ms B's dispute with D. Its role is to see if it has sufficient grounds to raise a chargeback dispute in line with Mastercard's rules (which it did), and then to consider if any defences submitted by D is in line with the rules. The merchant's defence was enough to mean the chargeback for that claim didn't succeed. The merchant's defence isn't for example noticeably poor or lacking in credibility which may have led to Virgin Money choosing to pursue this further through to arbitration.

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 Virgin Money decided not to take the dispute any further due to the defence submitted by D. After the defence was submitted, at this stage, there was little more Virgin Money could do unless it felt it had a reasonable prospect of success to pursue it further through to arbitration. But based on the available facts, I don't think Ms B's claim was likely to win bearing in mind the defence submitted by D that she stayed at the villa throughout the booking, and she was offered a credit voucher by D and compensation by the villa management.

So, overall, I can't say that Virgin Money made any mistake or acted incorrectly by making that decision. As explained above, it wasn't the case for example that the merchant's defence was noticeably poor or lacking in credibility.

I appreciate Ms B says she was unable to move to alternative accommodation due to her disability and travelling with a large group. I fully appreciate it would have been difficult for her to locate suitable accommodation at short notice and physically move, and this would have been made more stressful not knowing if any further costs she incurred would have been recoverable. So, I don't think it was at all unreasonable of her to try to make the best of the situation at the time and instead look to the villa management to rectify the problems. But I wish to clarify that, in my experience, if a consumer has stayed at the villa for the duration of the booking, and the merchant has submitted a valid defence, it is unlikely the

chargeback will succeed if pursued any further. So, this is not meant to be a criticism of the choices Ms B made, but an explanation as to why it would be difficult for Virgin Money to pursue the chargeback any further given the circumstances.

I want to make it clear that I am not making any findings as to whether Ms B's claim against D has any merit. I sympathise with Ms B's position and can see how this would have affected her enjoyment of the villa. But during the chargeback process, I can only assess whether Virgin Money has progressed Ms B's chargeback claim reasonably, in accordance with Mastercard's 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 and based on the defence there was very little Virgin Money could then do. Virgin Money doesn't seem to have made any errors in this regard.

I'm persuaded that Virgin Money took the claim as far as it reasonably could've done given the merchant's defence. So, I don't think Virgin Money's response to her request for a partial refund was unreasonable and I don't ask it to do anymore.

Section 75 claim

Virgin Money also considered a claim under s.75 but declined it on the grounds that Ms B didn't have the relevant debtor-creditor-supplier agreement to make her claim. So, I have gone on to assess whether it's response to Ms B's section 75 claim was fair.

But it may be helpful to explain that I need to consider whether Virgin Money – as a provider of financial services – should do any more in response to her claim under s.75. But it's important to note Virgin Money isn't the supplier. S.75 is a statutory protection that enables Ms B to make a 'like claim' against Virgin Money for breach of contract or misrepresentation by a supplier when goods or services were bought using a credit card. But it's important to note that Virgin Money isn't D and isn't responsible for everything that might've gone wrong with D.

Importantly, Virgin Money is also not responsible for anything that might have gone wrong with any other contracting parties (see below).

s. 75 claim for the failings of D

There are certain conditions that need to be met for s.75 to apply such as the financial limits and a DCS agreement. From what I've seen, I think those conditions have been met but I don't think Virgin Money is responsible for responding to Ms B's claim about the water supply issue and I'll explain why.

In order to raise a claim under s.75, Ms B (the debtor) must have used her credit card with Virgin Money (the creditor) to pay D (the supplier). This is generally referred to as the DCS agreement. S.75 therefore enables Ms B (the debtor) to make claims against Virgin Money (the creditor), for breach of contract or misrepresentation of D (the supplier).

S.75 does not extend protection to contracts that consumers might have with any other parties. It only protects claims consumers have against the supplier that was paid directly using credit it provided. This means that Ms B can only bring a claim under s.75 to Virgin Money about the supplier she paid using credit it provided which is D – and she can only claim for breach of contract or misrepresentations made by D.

As explained by our investigator, D's terms specify that it is responsible for booking the villa, but the delivery of the service is done by the villa management directly – and Ms B has a direct contract with the villa management.

So, to clarify, I think Ms B can make a s.75 claim against Virgin Money for breach of contract or misrepresentation made by D only.

As this booking wasn't made alongside any other bookings through D, it is not a package holiday so the rules in relation to package holidays aren't applicable to this complaint. I appreciate Ms B says she initially planned on booking flights through D, but she didn't. So, as she didn't book a package, the terms related to package holidays aren't applicable to her claim.

So, under a s.75 claim, Virgin Money is only answerable to Ms B for the failings that D is contractually responsible for. Under the terms Ms B agreed to when she booked the villa through D, D is only responsible for the offer it made which was to book the villa for Ms B in accordance with her instruction. From what I've seen, this was done by D correctly and Ms B hasn't in any event complained that D didn't make the booking correctly. But this means I don't think there has been a breach of contract on the part of D.

S.75 claim for water supply issues

As explained above, to make a claim against Virgin money for the failings of a supplier, Ms B must have a DCS agreement against said supplier. But Ms B did not pay the villa management directly using credit Virgin Money provided so she does not have the relevant DCS agreement to make a claim against Virgin Money for any breach of contract on the part of the villa management.

The delivery of the service was to be met by the villa management not D. Virgin Money is not responsible for responding to any breach of contract claims Ms B may have against the villa management directly under her contract with them. The problems with the water supply are therefore something that is covered by Ms B's contract with the supplier of the property (the villa management) rather than her contract with D.

So, as explained by our investigator, there is no such "like claim" against Virgin Money for the water supply issues which the villa management was responsible for. That is not to say that Ms B doesn't have a claim against the villa management, or that things haven't gone wrong, but it does mean, in my view, that Virgin Money isn't responsible for responding to those claims.

To clarify, any claims related to the delivery of the service, such as the water supply issues, was the responsibility of the villa management, and there is no DCS agreement in place to enable Ms B to claim for any failings of the villa management against Virgin Money. So, I don't think Virgin Money explaining that it couldn't consider a claim for the water supply issues, as there was no DCS agreement to enable it to do so, was unreasonable.

I have also thought about Ms B's concerns about Virgin Money not meeting her communication needs, but I think the £75 compensation paid in recognition of its service failings was reasonable.

Summary

Having considered this case in its entirety, I don't think there is a breach of contract on the part of D, that Virgin Money is responsible for remedying, so I don't think Virgin Money needs to do anything in relation to Ms B's s.75 claim. I also don't think the way it dealt with

her chargeback claim was unreasonable. Finally, I think Virgin Money's payment of £75 for its service failings was fair. With all this in mind, I do not uphold this complaint.

I want to reassure Ms B that I have made no findings regarding her claim against the villa management for the water supply issues. I fully accept that this would have caused her significant inconvenience at a time she should have been enjoying a holiday that she spent substantial sums on. But this service can only look at complaints against credit card providers such as Virgin Money and not against suppliers like the villa management.

I would point out that Ms B doesn't have to accept this decision. She's free to pursue the complaint by more formal means such as through the courts. She may also have options outside of this service to pursue a claim against the villa management directly for the issues she experienced.

My final decision

For the reasons I've explained, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms B to accept or reject my decision before 13 November 2025.

Asma Begum
Ombudsman