

### **The complaint**

A company which I'll call 'L' complains that Barclays Bank Plc (trading as Barclaycard) treated it unfairly by debiting chargeback payments which were as a result of fraud.

The complaint is brought on L's behalf by its director, Mr R.

### **What happened**

L told us:

- On 22 November 2024, it took a payment for goods over the phone from a customer. The customer called back on 23 November 2024 and 26 November 2024 to undertake two further purchases. The customer said they couldn't collect the items as they were away with work but would send friends to collect the goods on their behalf. The goods were subsequently released to these friends in the coming days.
- In December 2024, Barclays said it had incurred chargebacks for these payments taken in November as the cardholder had disputed the three payments and said they weren't party to them and hadn't authorised them.
- It contacted Barclaycard straight away as it couldn't afford to pay these chargebacks. It also wasn't aware of the risks of taking payments in this way and thought Barclaycard should have done more to assist it or highlight the risks of fraud.
- It didn't think it was fair for Barclaycard to hold it responsible for these chargebacks which had occurred because of fraud. It said the banks and card machine suppliers should be held responsible.
- It wasn't satisfied with Barclaycard's investigation and wanted it to remove the chargebacks because they would put the business into financial difficulty and force it to stop trading.

Barclays told us:

- It had been contacted by the bank of the cardholder whose card details had been used to purchase the goods on 22, 23 and 26 November 2024 to say that the 'Card Not Present' ('CNP') payments taken by L had been fraudulent.
- It had sent the information received from L to defend the chargebacks, but this hadn't been accepted. It explained to Mr R that as the transactions had been taken over the phone, when disputes about the payments are raised and a chargeback is requested it is difficult to prove to the scheme providers (Visa and Mastercard) that the person undertaking the transactions was the genuine cardholder.
- Mr R said he'd never been made aware of the risks of taking transactions in this way, however its terms and conditions which were given to L when it took out the

agreement provide information about the risks and liabilities when undertaking transactions. L would have needed to say it had read and accepted these terms as part of the agreement. Furthermore, the procedure guide which was also issued to L gives details about CNP transactions, such as not releasing the goods to a third party.

- It was sorry to hear that L had been the victim of fraud, and it acknowledged that the company had now been left with a large debt to repay. So, it suggested Mr R speak to its collections team to look at repayment options over a longer term.

Our investigator didn't recommend the complaint be upheld. She said that our service could only look at whether Barclays had treated L fairly and in line with the relevant scheme rules. She said she was satisfied that Barclays had taken the actions we'd expect, but the card scheme provider was satisfied that the payments were fraudulent and upheld the chargebacks. The investigator said she couldn't hold Barclays responsible for this decision, nor L's loss as there were limitations to the checks Barclays could undertake. She noted L said it didn't know how to prevent fraudulent transactions, but she was satisfied that the agreement terms and conditions which L had accepted were clear about when a chargeback could occur, and the risks of taking CNP payments. So, she didn't think Barclays had done anything wrong.

L didn't agree and asked for an ombudsman to review its complaint. It said it had followed the process on the card machine and done everything it had been asked and therefore shouldn't be held responsible for a flawed process. It also said it had only been provided with the guidance regarding the different transactions in January 2025 after the event.

### **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 done so, I'm sorry to disappoint L's director but I've decided not to uphold it, for broadly the same reasons as our investigator. I haven't responded to every point Mr R has raised about why he thinks Barclays should be held responsible for L loss because I have focussed on what I believe is the crux of its complaint. The informal nature of this service allows me to do so.

However, I also want to reiterate to Mr R that our service isn't the regulator so we can't tell a bank how it should run its business. Barclays has legal and regulatory obligations that it must meet to address issues such as fraud. However, it is a commercial decision that Barclays is able to make on how it does this. I am unable to make a direction on what actions a business could or should take on behalf of its customers as I am only able to make a decision on the individual case I am considering.

I acknowledge that Mr R thinks it's unreasonable that L is being held responsible for fraudulent transactions by Barclays. But a chargeback is the process by which some disputes are resolved between card issuers and merchants under the relevant card Scheme rules (such as VISA and Mastercard). Barclays doesn't operate the Scheme, nor does it decide if a chargeback is successful – it can only decide whether or not to defend it. If the merchant bank chooses to defend against the chargeback, the case will go to arbitration before the card scheme – who will consider all the evidence. The costs of arbitration can be significant to the losing party in the dispute so generally Barclays will only proceed to arbitration if it thinks there is a reasonable chance of winning the dispute.

In this case, Barclays asked L for information and sent this to the cardholder's bank, the cardholder's bank didn't accept this information and the dispute was accepted. Barclays said that it couldn't defend L against chargeback claims of this nature i.e., fraudulent transactions where the card was not present, and therefore it was obligated to return the funds to the cardholders' bank. I understand this is frustrating for L, but chargebacks are decided based on the card scheme rules not the merits of any dispute between the cardholder (whether or not they were the one who received the goods) and the merchant.

I recognise that L says it followed the instructions on the card machine so it's reasonable to think the payments were ok, and they would be honoured. I also acknowledge that L says they weren't made aware that this type of fraud could happen and only received the terms and conditions after the fraud took place. However, on the balance of probability I think L was given the terms and conditions and procedure guide when it took out the agreement with Barclaycard. I say that because I've seen a copy of the original application which L signed to confirm it had read and accepted the terms and conditions from January 2018 as part of its application. Within those terms and procedures, I'm satisfied there are clear sections about authorisations, chargeback's and both L's and Barclays obligations. The bank has shown that these are available on its website at any time for merchants to refer back to.

I'm satisfied that these terms are clear that even if L follows the instructions on the card machine for card not present transactions, and obtains an authorisation code this doesn't guarantee payment or that a chargeback can't be raised against L as the merchant. The procedures also say not to release goods to anyone saying they are collecting goods on the card holder's behalf, and if the card holder collects the goods in person that the CNP transaction must be cancelled and the transaction should be reapplied using the card present process instead.

I also think the terms are clear that Barclays will look to defend a chargeback where possible, however, if the chargeback is upheld, L will be responsible for reimbursing Barclays for any payments it has to refund. Ultimately, Barclays didn't make the decision here to uphold the chargebacks against L, nor is it obligated to cover the costs of chargebacks its customers incur. So, I don't think Barclays has done anything wrong by looking to recover the funds from L as a result of the chargebacks made against the company.

I acknowledge that L says Barclays, along with the card machine provider, has a duty of care to its customers and should prevent fraud from happening. But I can't fairly say that Barclays has made an error here. I say this because there are limitations to the checks that Barclays could undertake with regards to payments, and the actions they do take are in line with other merchant services providers. I also think L ought reasonably to have been aware that there will be a higher level of risk where a customer isn't physically present. And I can't fairly hold Barclays responsible for the action of the person(s) who committed the fraud.

I recognise that this has been a difficult time for both L and Mr R personally, and that they'll be disappointed with my decision. However, I don't think Barclays did anything wrong, so I won't be asking it to refund the chargebacks. L has told us that they've been caused financial difficulty as a result of the chargebacks, so they should contact Barclays directly to see if it can provide any assistance with mutually accepted repayment terms.

## **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 30 December 2025.

Jenny Lomax  
**Ombudsman**