DRN-5784441

Financial Ombudsman Service

The complaint

Mrs C complains Lloyds Bank Plc acted unfairly by not refunding a payment she made using her debit card.

What happened

In June 2024 Mrs C placed an order for a bathroom suite from a company I'll refer to as B. She paid a total of £11,080 for a shower, vanity unit, flooring and wall boards, using her Lloyds debit card across two payments, each of £5,540, in June and July 2024.

During installation Mrs C said the shower tray was too small, and as such not fit for purpose. B offered to provide a larger shower tray for an additional cost of £1,800, but it seems Mrs C chose not to go ahead with this.

After the installation was complete Mrs C complained to B, saying the shower was not fit for purpose – as it was too small to be used by her husband, who had mobility issues. She said, under the Consumer Rights Act 2015, B were required to provide a product fit for purpose, and it hadn't done so.

As B didn't uphold her complaint, she contacted Lloyds for help in claiming her money back. Lloyds raised a chargeback, which is a process of asking the merchant for a refund via the card scheme provider – Visa in this case. Lloyds also applied a temporary credit to Mrs C's account of £11,080 on 17 October 2024.

In January 2025 Mrs C contacted Lloyds again as she said Lloyds had re-debited the full amount from her account in December 2024, without notice. Lloyds reviewed matters, but explained as B had defended the claim, and Mrs C hadn't provided any further information, it was unable to pursue the matter further under the scheme rules set by Visa. Lloyds didn't change its position on the claim after Mrs C complained, but it did offer £50 to apologise for the customer service provided. Unhappy, Mrs C referred the matter to this Service.

While the complaint was with this Service, Lloyds reviewed matters again and agreed it could have explained the process better to Mrs C, specifically that it could re-debit the account if B defended the chargeback, as it did here. It noted that when it re-debited the funds from Mrs C's account, she was placed into an unarranged overdraft. As such, Lloyds offered to increase its total offer to £500.

An Investigator here reviewed matters. They considered Lloyds had done as they'd expect in relation to the chargeback. As B had defended it and the bathroom suite had been installed as per the approved plans, a chargeback was unsuccessful. They also considered the £500 now offered by Lloyds for re-debiting the account without prior warning was a fair resolution in the circumstances. The Investigator also explained that as Mrs C had made payment using her debit card, the various protections available to consumers under Section 75 of the Consumer Credit Act 1974 (CCA) and the Consumer Rights Act (2015) didn't apply.

Mrs C didn't agree, saying the goods supplied did not fit the description and the needs she'd explained to B hadn't been matched by what was provided. She also raised her concern that

Lloyds had re-debited her account outside of the 45 days it was allowed to do so.

As no agreement has been reached, this complaint has been passed to me to decide.

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 should note that it appears Mrs C initially took her complaint to another alternative dispute resolution (ADR) scheme. However, it appears it concluded that as Mrs C had said she would be raising a claim via Lloyds, it was outside of its remit. As such, because it doesn't appear that this complaint has been reviewed by any other ADR scheme, and I'm considering how Lloyds handled her claim, I don't think there is any reason why we cannot or should not consider the way Lloyds handled the chargeback claim Mrs C made to it.

Chargeback

Chargeback allows for a request of a refund to be made of money paid with a plastic card in certain scenarios. I'm looking here at the actions of Lloyds and whether it acted fairly and reasonably in the way it handled Mrs C's request for help in getting her money back. This will take into account the circumstances of the dispute and how B has acted, but there are other considerations, such as the card scheme rules, which Lloyds must follow and its own obligations.

Chargebacks are not guaranteed to succeed; the recipient of the funds (B in this case) can choose to challenge or defend a chargeback if it doesn't think it is valid. But I would expect Lloyds to attempt a chargeback if there was a reasonable prospect of success, as it did here. If a chargeback is challenged by the other side to the dispute, it's Lloyds' responsibility to look carefully at the submissions made by the other side and make a decision on whether to continue pursuing the chargeback, based on the card scheme rules. The onus is then on Lloyds to pursue it further if the submissions showed there was still a reasonable prospect of success.

In this case Lloyds did attempt a chargeback. It appears to have done so under the Visa dispute code "*Not as Described or Defective Merchandise/Services".* This seems reasonable as Mrs C has said the shower tray provided was too small.

In this case, B defended the claim, saying Mrs C had received the full installation of the bathroom and was aware of the sizing when signing the floorplan. Lloyds then wrote to Mrs C on 10 December 2024, explaining B had defended the chargeback, notifying her it would be re-debiting the funds and said:

"Please send us any new information in the next 10 days if you'd like us to look at this again"

It doesn't appear Mrs C received this letter, so no further information was received, and Lloyds made the decision not to pursue the matter further. On this point, Mrs C has provided a copy of this letter dated 8 January 2025, it's not clear why this was re-sent at this stage but based on the information I've seen I'm satisfied Lloyds initially sent it in December 2024.

While it's not clear why Mrs C didn't receive the letter, I don't think Lloyds was unfair in its decision to not pursue the claim further in any case. I say that because, under this reason code, the rules set out conditions under which a dispute can be processed, which – of relevance to Mrs C's dispute, includes:

- *The merchandise or services did not match what was described on the Transaction Receipt*

Here, B provided Lloyds a copy of the order confirmation and floor plan, both signed by Mrs C. These set out the size of the shower tray that would be installed. In effect, this evidences that B provided the merchandise that was described. Mrs C also hasn't disputed that the shower tray installed wasn't the size the floorplan set it out to be – rather she's said the shower tray installed was too small for her husband's mobility needs. So I can't agree this didn't match the item described on the transaction receipt.

I understand Mrs C says she was told the design of the bathroom would meet her husband's mobility needs, and as it didn't, she considers that the item was not as described. But I think it's more likely than not, had Mrs C's chargeback been pursued to arbitration (where the card scheme decides the outcome), it would have made a judgement based on what the documentary evidence said. And here, the floor plan set out the size of the shower tray, and Mrs C hasn't disputed that this wasn't what was received. As such, even had Lloyds pursued Mrs C's chargeback further I don't think there was a realistic prospect of success. As such, I don't consider Mrs C has lost out as a result of it not doing so.

Taking everything into account, based on the information it had available, I don't consider Lloyds had the required information to pursue Mrs C's chargeback claim further than it did. And although it was already too late for Lloyds to pursue matters further when Mrs C got in touch with it in January 2025, I don't think it would have changed the outcome here. As such, I don't think Lloyds acted unfairly in how it handled Mrs C's chargeback claim.

Temporary credit

Mrs C says she wasn't notified by Lloyds that the temporary credit it had applied, had been, or could be, re-debited.

As I've explained above, I'm satisfied Lloyds did send the letter to Mrs C which set this out. It doesn't appear Mrs C received it, but that's not something I can hold Lloyds responsible for.

However, I agree that Lloyds could have been clearer in its initial communication with Mrs C that this could happen, so it's right she is compensated for any trouble this caused.

When Lloyds re-debited the account, Mrs C was placed into an unarranged overdraft and incurred fees as a result. As Lloyds has accepted, it should have communicated better with Mrs C about this. Had it done so, I don't think she would have entered an unarranged overdraft. Doing so would undoubtedly have caused distress and inconvenience and it's right she is compensated for that. However, I consider £500 offered by Lloyds is a fair and reasonable amount in the circumstances, and also covers the small charge she incurred for entering the unarranged overdraft.

Mrs C is also unhappy that Lloyds re-debited the account outside of the 45-day window within which it was permitted to do so. As our Investigator explained, although the temporary credit was applied to Mrs C's account on 17 October 2024, the chargeback wasn't approved until 12 November 2024. B responded, providing its defence a short time later and within the times set out in the scheme rules. As such, although the funds were in Mrs C's account for longer than 45 days, B hadn't exceeded the time limits in which to respond and ultimately for Lloyds to re-debit the funds.

Consumer Rights Act 2015 (CRA) and Consumer Credit Act 1974 (CCA)

For completeness, I'm aware Mrs C has said, B has failed to meet its obligations under the CRA and has also mentioned section 75 of the CCA. However, here I'm looking at the way Lloyds handled the claim she raised with it. As Mrs C paid B using her debit card, rather than a credit card, the only available avenue for protection here would be under the voluntary scheme of chargeback – which Lloyds pursued.

Putting things right

Overall, I'm very sorry to hear of the issue Mrs C has faced here – and I know this isn't the outcome she'll want to receive. But based on what I've seen I think Lloyds did what was expected in the chargeback process. It raised the chargeback on Mrs C's behalf, but as it was defended by B, Lloyds didn't have the means to challenge the transaction further under the scheme rules.

While it's agreed it could have communicated better, it's offered £500 compensation to apologise for that and for the reasons explained above, I think that fairly resolves matters. So, to resolve matters, I think Lloyds should pay Mrs C £500 in total.

My final decision

I uphold this complaint and require Lloyds Bank Plc to pay Mrs C £500, in total.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs C to accept or reject my decision before 26 September 2025.

Victoria Cheyne
Ombudsman