

The complaint

Mr W has complained about the way Barclays Bank UK PLC trading as Tesco Bank dealt with his claim for money back in relation to transactions made using his credit card.

What happened

The circumstances surrounding the complaint are well known to the parties so I won't go over everything again in detail. But, to summarise, Mr W contacted Tesco Bank in March 2025 to claim back around £3,500 in relation to transactions made using his credit card. He said the transactions were made in December 2024 to January 2025 to an online merchant which he later discovered was an unlicensed and illegal gambling website.

Tesco Bank declined the claim and said under chargeback the card scheme doesn't allow disputes relating to gambling. It said a chargeback would only have been an option if the funds weren't placed onto the account. It said under section 75 of the Consumer Credit Act 1974 there'd need to be evidence of a breach of contract or misrepresentation which it hadn't been provided. It also noted Mr W had said the transactions should have been blocked. It said gambling activity would only be flagged depending on the Merchant Category Code (MCC) used by the retailer, and in this case the merchant didn't use a gambling MCC.

Mr W decided to refer his complaint to the Financial Ombudsman. He said the relevant merchant wasn't licenced by the UK Gambling Commission and so was operating illegally. He said he only found that out after losing money and attempting to recover funds. He said the merchant misrepresented and breached the contract and used incorrect MCC codes to evade blocking measures. He said any contract with the merchant should have been voided.

Mr W also said Tesco Bank failed to prevent foreseeable harm and he should be considered vulnerable. He said there were abnormal transaction patterns, and the merchant was new which should have prompted heightened scrutiny. He said he had gambling block features on his account and Tesco Bank shouldn't have allowed a merchant to circumvent that. He said the situation caused significant distress and inconvenience. He requested a full refund along with compensation.

One of our investigators looked into things but didn't make any recommendations. She didn't think there was scope for Tesco Bank to pursue the claim through chargeback or section 75. And she didn't think it had acted unfairly in another way.

Mr W didn't agree. He said the merchant wasn't operating legally in the UK so Tesco Bank shouldn't have facilitated credit card gambling. He said the MCC was misclassified to bypass gambling blocks and Tesco Bank should have reacted appropriately. He said the card scheme contemplates disputes where the transaction data is wrong or misleading and Tesco Bank should not have refused action. He said the Consumer Duty and vulnerable customer obligations weren't met and Tesco Bank should have scrutinised the transactions more.

As things weren't resolved, the 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.

I want to acknowledge I've summarised the events of the complaint. I don't intend any discourtesy by this – it just reflects the informal nature of our service. I'm required to decide matters quickly and with minimum formality. But I want to assure Mr W and Tesco Bank that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this.

What I need to consider is whether Tesco Bank – as a provider of financial services – has acted fairly and reasonably in the way it handled Mr W's request for getting money back. It's important to note Tesco Bank isn't the supplier. I've gone on to think about the specific card protections that are available. In situations like this, Tesco Bank can consider assessing a claim under section 75 or raising a chargeback.

Section 75 is a statutory protection that enables Mr W to make a like claim against Tesco Bank for breach of contract or misrepresentation by a supplier paid by credit card in respect of an agreement it had with him for the provision of goods or services. But there are certain conditions that need to be met for section 75 to apply. It's not clear if those conditions have been met in relation to the cash price of all the transactions and the way the payments were made. But I don't think I need to undertake a detailed analysis of that given the findings I'm making.

Section 75 was designed to cover breach of contract or misrepresentation. In this case, the nature of the transactions were deposits towards a gambling site, which I understand was actioned. For there to be a misrepresentation, the merchant would have needed to make a false statement of fact that induced Mr W into the transaction. I think Tesco Bank would have wanted to see more evidence from Mr W that happened. Moreover, I don't think Mr W has evidenced there was a breach of contract in relation to the transaction of making the deposits. So I don't find there were grounds for Tesco Bank to conclude there'd been a breach of contract or misrepresentation in relation to the transactions, even if the necessary conditions were in place.

The chargeback process provides a way for a card issuer to ask for a payment to be refunded in certain circumstances. The chargeback process is subject to rules made by the relevant card scheme. It's not a guaranteed way of getting money back.

While it's good practice for a card issuer to attempt to chargeback where certain conditions are met and there's some prospect of success, there are grounds or dispute conditions set by the relevant card scheme that need to be considered. If these are not met, a chargeback is unlikely to succeed. And something going wrong with a merchant won't always lead to a successful claim. Tesco Bank didn't think a chargeback would've had a reasonable prospect of success.

The relevant card scheme sets out:

Before processing a chargeback, the issuer should consider if any of the following apply:

- *Gambling, Investment, and/or Similar Services:*

For transactions in which value or assets are purchased for gambling, investment, or similar purposes: This chargeback right is only available for a transaction in which the purchased

value or assets failed to appear in the account agreed to between the cardholder and the merchant.

The claim wasn't that the value or assets failed to appear in the account agreed. So I don't consider there were grounds for Tesco Bank to have claimed the money back through chargeback for that.

I don't think the use of an incorrect MCC code would have meant the chargeback had a reasonable prospect of success either. It's not Tesco Bank that determines the MCC. I have to bear in mind that Mr W authorised the transactions and even if the merchant was trying to circumvent blocks that are in place, I can't see there's a chargeback condition Tesco Bank could have used that fit the scenario Mr W has complained about, based on the evidence supplied. The relevant card scheme has explained that evidential requirements for cardholders to provide to banks is high for disputes around transaction laundering, and the cardholder would need to show suitable evidence that the merchant wasn't entitled to use a non-gambling MCC in the course of their overall business. I don't think Mr W showed this to Tesco Bank, so I don't think its overall answer on chargeback was unfair.

While I know Mr W thinks Tesco Bank should have flagged the payments, particularly given frequency of them within the timescales, Tesco Bank has said the transactions would have declined had a gambling MCC been present. It said it considers several factors before determining if a transaction might not be genuine. The rules change frequently and there's not a guarantee Tesco Bank would identify fraud or that it would decline a genuine transaction if it flagged as suspicious. Mr W hasn't said the transactions weren't authorised or genuine. Tesco Bank said once it was made aware of the situation it flagged Mr W's account with its customer support team and issued a letter to Mr W asking if he wanted to discuss things. I think what it's said seems broadly fair. I can't see Tesco Bank would have had any other concerns with regards to the way Mr W was managing his account at the time. I think it also answered the claim and complaint within a reasonable amount of time.

Overall, while I know Mr W will be unhappy, I don't find I have the grounds to direct Tesco Bank to pay him the refund or compensation he's seeking.

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 Mr W to accept or reject my decision before 20 March 2026.

Simon Wingfield
Ombudsman