

The complaint

Mr B is unhappy that Zilch Technology Limited (Zilch) declined a transaction he was trying to make and then provided multiple different reasons for doing so.

What happened

In July 2025 Mr B tried to complete a transaction with a company I'll refer to as 'P', using his Zilch account. However, Zilch declined the purchase. Mr B raised this with Zilch via its online chat system. In reply Zilch provided a list of the most common causes for declined transactions. Mr B responded to say the list didn't apply and was told someone would be in touch when available.

Mr B then called Zilch to ask why his transaction with P had been declined. Zilch said there are some merchant types that it doesn't allow transactions to be made with and listed them. Mr B said his purchase wasn't for any of those types of goods. Zilch explained that on its systems P's classification is listed among the prohibited merchant types given in the terms and conditions. Unhappy with this Mr B asked for a complaint to be logged.

A Zilch advisor then responded to Mr B's earlier contact via the online chat system. They explained the retailer or country isn't supported by Zilch, so it wasn't able to process the payment. Zilch went on to say the purchase Mr B wanted to make is listed within its prohibited products. Mr B said Zilch had blocked a transaction for goods that weren't on its prohibited list. He provided an example of another merchant that sells items listed as prohibited which Zilch does allow transactions on.

Following this Mr B called Zilch again to raise his concerns and express his unhappiness with the recent online chat exchange. Zilch repeated that P is a blocked merchant and that's why the transaction didn't go through. Mr B said P had been blocked incorrectly because it doesn't sell items listed on Zilch's prohibited list. Zilch then advised that as the purchase was flagged as being prohibited the transaction was blocked to safeguard Mr B's account. Mr B confirmed that's not relevant as it was him that was making the purchase. The call ended with Mr B asking for a final response to the complaint he had already logged.

Mr B then opens a new online chat and spoke with a different Zilch advisor. Here Zilch expanded on the reasoning for the declined transaction and said the merchant category code recently changed to one that's not supported. Zilch said it had no control over merchant codes that retailers use, as it will match their business purpose. Mr B continued to strongly disagree.

On 30 July 2025, Zilch issued its final response. In this it said Zilch blocked the transaction to P as it wasn't supported. It then repeated the prohibited items and added the list is a reference and there could be additional categories that are also limited. Zilch acknowledged this may cause inconvenience and said the restrictions are to safeguard its customers. Zilch thanked Mr B for sharing his experience and as a gesture of goodwill added £10 in Zilch Rewards to his account.

Unhappy with this Mr B referred his complaint to the Financial Ombudsman Service. One of our investigators looked into the complaint and said as a business Zilch is able to determine how it wishes to operate, which includes whether to allow payments to a specific merchant or not. They added that Zilch had explained to Mr B that P wasn't supported and that's why his transaction had been declined. Mr B didn't agree and added he had been told by Zilch it was P that blocked the transaction which was incorrect. Mr B also mentioned the Payment Service Regulations 2017 when again saying Zilch had failed to let him know about the decline until he called it.

Regarding Zilch not given any reasons for the decline until after it had happened, the investigator said a business should where possible try and inform a consumer of the reason for the decline, but there isn't a specific requirement to do so. The investigator then said after listening to the calls they could find no evidence that Zilch has said it was the bank or P that had blocked the purchase.

As Mr B didn't agree, 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 would like to point out I've read and considered the whole file, but I'll concentrate my comments on what I think is relevant. If I don't comment on any specific point, it's not because I've failed to take it on board and think about it but because I don't think I need to comment on it in order to reach what I think is the right outcome.

In this case I'm satisfied that Zilch did give its reason for declining the transaction. I don't agree Mr B has been given multiple different reasons. Zilch has expanded on why it had blocked Mr B's purchase in some of the communications it's had with him. But overall, I think it's been fairly consistent in explaining the reason was because P wasn't supported.

Its clear Mr B feels very strongly about this case and doesn't agree. Given what he was trying to purchase from P, I can understand why he says he wasn't purchasing a prohibited item. But I think what's important here is that given the merchant code that Zilch's system picked up for P, it believed it was a prohibited transaction and as per its terms and conditions, didn't allow it to go through. I can't say that was an error on Zilch's part, even if I do acknowledge Mr B's point that he wasn't trying to purchase anything that's detailed on the prohibited list he was given. Though as Zilch has said in its final response, that list isn't exhaustive.

It's also worth noting Mr B wasn't using his own funds to try and make this purchase. Ultimately, he was borrowing money from Zilch to pay and so I don't think it unreasonable that Zilch can block merchants it isn't comfortable transacting with, which in this case included P.

Mr B has mentioned that Zilch's terms and conditions say it will give the reason for a declined transaction as soon as possible. He says this didn't happen and therefore Zilch has breached its terms. Here Mr B called shortly after the decline to make enquires and was given the reasoning. By proactively calling he found out Zilch's reason and did so the same day, so even if there has been a breach, I don't believe it has caused Mr B any material distress or inconvenience. It's also possible here that Zilch would've notified him had he not called in as quickly as he did.

Overall, I do appreciate Mr B's obvious frustrations with his purchase being declined. But I think doing so was a legitimate business decision Zilch was able to take and did so in line with the terms and conditions that govern Mr B's account. Those terms say that Zilch can block a prohibited transaction and given how P showed up on its systems, I can't say Zilch acted unfairly here in taking the action it did.

My final decision

I don't uphold Mr B's complaint against Zilch Technology Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 19 February 2026.

Paul Blower
Ombudsman