

## **The complaint**

Mr W argues that Lloyds Bank PLC treated him unfairly when he tried to recover the funds paid on overseas gambling transactions. The payments were made using his Lloyds Bank PLC credit card.

## **What happened**

In late November 2024 and early January 2025 Mr W made a number of payments to a gambling website based abroad. The payments ranged in size from around £30 to £200 and attracted non-sterling transaction fees.

Mr W says the transactions shouldn't have been processed by Lloyds and should be refunded now. Below is a summary of his main arguments:

- Lloyds failed to raise the chargeback claims he requested. Mr W feels this could have been actioned under invalid data/ MCC misuse.
- Mr W is a vulnerable customer with a problem gambling condition. As such Lloyds should have identified the gambling activity which showed an obvious risk pattern and prevented it. This is a breach of the Consumer Duty. There is also a statutory ban on gambling on credit cards, so this was illegal activity.
- The transactions bypassed the gambling block on his account because the merchant used misleading Merchant Category Codes (MCCs). Lloyds shouldn't have allowed this to happen.
- Lloyds has continued to charge interest and fees on the payments during his complaint which he feels is contrary to CONC7.14.1R. So, he feels this is another example where Lloyds has failed to treat him fairly.
- Mr W has highlighted a number of decisions by this service which he feels supports his case.

Mr W would like all payments refunded, a refund of any interest and charges applied since he raised the dispute and compensation for the distress this matter has caused.

Lloyds considered his complaint but didn't uphold it. It argued that it attempted to gather more information from Mr W about the chargebacks. However, it didn't receive the information it requested and subsequently became out of time to raise the chargebacks.

In addition, it explained that the transactions were processed because the merchants operated under different MCCs and so did not register as gambling transactions. It said it couldn't control what MCC was used.

Unhappy with Lloyds' response, Mr W referred his complaint to our service. One of our investigators considered the complaint but didn't uphold it. He didn't think Mr W could raise chargebacks for gambling transactions under the relevant scheme rules. He also thought that although Lloyds should have considered a claim under s.75 of the Consumer Credit Act 1974 ("CCA") this was also unlikely to be successful. This was because Mr W hadn't demonstrated a breach of contract or a misrepresentation.

The investigator agreed that Lloyds needed a system in place to block transactions presented as gambling on credit cards. However, it couldn't control circumstances where a merchant chooses to use the wrong MCC. And he was satisfied that this is what happened in this case – the merchant used a non-gambling MCC and so the block on credit card gambling transactions was bypassed. He also thought that the transactions were authorised and that Mr W got the service he paid for – to gamble the funds. So, he didn't think the transactions were fraudulent as Mr W had argued.

Mr W didn't agree with the investigator. To summarise he thought there were grounds under chargeback where a gambling transaction could be disputed. And that Lloyds failed to try and contact him to gather more information as it argued. He also felt the transactions were high risk and Lloyds should have been monitoring the account. Finally, he argued that Lloyds has failed to consider him as a vulnerable customer.

As an agreement couldn't be reached, the complaint has been passed to me to consider. I wrote to Mr W and clarified that a chargeback for gambling transactions could be raised (based on when his transactions took place). However, the circumstances for raising them are very limited. And, having considered the circumstances of his complaint and the argument he is making, I didn't think the chargebacks would have had a reasonable prospect for success. So, I didn't think Lloyds acted unreasonably by not raising them.

I'll now go on to reach a final decision on this complaint.

### **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 not going to uphold this complaint. I appreciate that this will be disappointing for Mr W. I can see he's taken a great deal of time on this complaint and made a number of detailed arguments. However, although I've carefully considered these arguments, I don't think it's fair or reasonable to hold Lloyds accountable for refunding these payments. I'll explain why below.

I've read everything that the parties have said, but I'll concentrate my comments on what I think is relevant. If I don't comment on a specific point it's not because I've failed to consider it, but because I don't think I need to comment in order to reach a fair and reasonable outcome. And our rules allow me to do this. This reflects the nature of our service as a free and informal alternative to the courts.

### *Chargeback*

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, or where goods or services aren't as described.

There's no automatic right to a chargeback; the chargeback process doesn't give consumers legal rights; and chargeback is not a guaranteed method of getting a refund because chargebacks may be defended by the merchant. This is because the rules, set out by the card scheme, lay down strict conditions which must be satisfied for a chargeback claim to succeed. 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.

The relevant scheme rules in this case are the MasterCard rules. These have certain limits for how quickly a claim needs to be raised and, in many examples, evidential standards which need to be met. I understand there's some dispute about whether Lloyds requested more information from Mr W and therefore whether the claims could be raised in time. However, in any event, I still don't think chargebacks for the transactions in question had a reasonable prospect for success. So, I don't think it's unreasonable that Lloyds didn't raise them.

Looking at the relevant MasterCard Chargeback Guide, I can see that for a number of the chargeback dispute reasons (including goods/services not as described or not provided) it says in relation to gambling, investments or other transactions of a similar nature:

*"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."*

It cannot be used if there are issues with withdrawals or to try and recover gambling funds. In this case, I've not seen anything to suggest that Mr W didn't get the service he paid for i.e. that his funds weren't deposited and that he didn't go on to use them to gamble with. So there are a number of dispute reasons, including goods/services not as described or not provided, which were unlikely to be successful in this case.

Mr W has argued that there are grounds which would allow a chargeback if the wrong MCC were used. And in this case Lloyds has confirmed the wrong MCC was used. The dispute condition Mr W has referred to is "*Transaction Laundering*" and even if I was to accept this could be used in these circumstances, the evidential burden Mr W would have to meet to show this is extremely high. He would need to effectively show the gambling merchant wasn't entitled to use a non- gambling MCC and it's very unlikely a cardholder would be able to show that.

Finally, Mr W has also made arguments that these were fraudulent transactions as the gambling websites were not registered in the UK. However, I'm not persuaded by Mr W's arguments that these transactions were fraudulent. Mr W accepts he made the transactions, authorising the payments, and that the intended use was to gamble with the funds. And I think he did go on to do this. So, I don't think that because the website was registered outside the UK, this makes the transactions fraudulent in the way Mr W argues.

So, taking everything into consideration, I don't think these chargebacks had a realistic prospect for success. I therefore don't think it's unreasonable that Lloyds failed to raise the chargebacks. I take Mr W's point that by not raising the chargebacks it guaranteed Mr W wouldn't recover the funds and there was still the potential that the merchant wouldn't have disputed them. I think it's unlikely that where a merchant has provided the service paid for, that it wouldn't go on to dispute the chargeback. However, in any event, as explained above Lloyds doesn't have to raise a chargeback unless there is a reasonable prospect for success. And I don't think there is in this case.

#### *Section 75 CCA claim*

When something goes wrong with goods or services and the payment was made, in part or whole, with certain types of credit, it might be possible to make a s.75 CCA claim. This section of the CCA says that in certain circumstances the borrower under the credit agreement can make a like claim against the credit provider, as they can against the supplier, if there's been a breach of contract or misrepresentation. As Mr W was disputing the payments, I think this is something Lloyds should have considered.

Again, there are requirements which needs to be met in order to have a valid s.75 CCA claim. One of which is the cash price of the service must be more than £100. I can see that some of the transactions are £100 or less, so these transactions wouldn't qualify.

For the remaining transactions which do meet the financial thresholds, I can't see there's been a breach of contract or misrepresentation. And I'm mindful that in a s.75 CCA claim, it would be for Mr W to evidence his claim. Mr W has used the funds to gamble with, which was what was agreed. So, I don't see how his contract with the merchant has been breached. Had Mr W not got the service he'd paid for; I would have expected him to have raised the dispute far earlier than he did.

In addition, I don't agree Mr W has provided evidence that the contract was misrepresented to him. A misrepresentation is a false statement of fact which induces someone into contracting. Mr W has argued that by not being registered in the UK, the website misrepresented itself to him. However, he's not provided any evidence to support this.

I'm also mindful that part of the appeal of non-UK registered gambling websites is that they are known to circumvent gambling blocks. I am very sympathetic to Mr W's problem gambling condition, and I don't doubt that the circumstances surrounding this complaint will have been very difficult for him. However, I also can't overlook the possibility that this was why a non-UK based gambling website appealed to him.

So, I don't think Mr W has shown his s.75 CCA claim should be upheld.

#### *Wrong MCC used*

As the investigator explained, Lloyds isn't responsible for what MCC is used and it can't possibly check the MCC from every merchant a cardholder transacts with. It's unfortunate that this has led to the gambling block being circumvented, particularly as Mr W is correct that gambling from a credit card isn't permitted in the UK. However, I haven't seen anything to suggest Lloyds didn't have the applicable block in place. Lloyds has shown that different MCCs were used and as I've explained, Lloyds isn't responsible for what MCC a merchant uses.

#### *Monitoring Mr W's account as a vulnerable customer of Lloyds*

Mr W has argued that the transactions were repeated, foreign, rapid and out of character for him. So, he thinks this should have prompted a manual review. However, I'm not persuaded by this. I also don't agree that the Consumer Duty places this responsibility on Lloyds as Mr W has argued.

The transactions were relatively low ranging from around £30 to £200 and only occurred across a few days in total. I also don't think the presence of a non-sterling transaction fee in and of itself was sufficient to suggest Lloyds should have flagged the transactions. And I can't see that these placed the account into difficulties (for example by causing him to exceed the agreed credit limit). I don't doubt that he was genuinely vulnerable and in need of support. But I don't agree these transactions should have alerted Lloyds to this.

Mr W has made a number of arguments about the Consumer Duty and Lloyds having a responsibility to protect him from foreseeable harm. Whilst I agree it does have this responsibility; Lloyds has confirmed the block on gambling MCCs was in place. And I don't think Lloyds should have been on notice that Mr W was going to circumvent this by using a non-UK registered gambling website.

So, taking everything into consideration, I don't think Lloyds should have taken steps as result of these transactions.

*Charging interest on the account after the dispute has been raised*

Mr W has argued that under the Financial Conduct Authority's Consumer Credit Sourcebook ("CONC"), CONC 7.14.1 R required Lloyds not to enforce debts under an active dispute.

However, I don't agree with Mr W's interpretation of this rule. CONC 7.14.1 (1) says:

*"A firm must suspend any steps it takes or its agent takes in the recovery of a debt from a customer where the customer disputes the debt on valid grounds or what may be valid grounds."*

Valid grounds (detailed in CONC 7.14.2 G) include where the individual being pursued isn't the borrower, the debt does not exist or the amount being pursued is incorrect. I don't think these circumstances are applicable to Mr W's complaint, nor has he explained how they are. And I'm also mindful that firms aren't required to suspend enforcement action where a consumer refers a complaint to our service. I have also noted in Lloyds' response to our service it has said that an interest freeze and "*breathing space*" was added to the account suggesting some forbearance has been given to Mr W.

Mr W has referred to other ombudsman's decisions on cases he views as similar. Whilst I've reviewed everything he has said, I must make my decision based on what is fair and reasonable in the individual circumstances of this case. So, I can't base my findings on other ombudsman's decisions.

Having taken into consideration all the circumstances of this case, I don't think Lloyds should be held accountable for the disputed payments or be made to refund them.

**My final decision**

My final decision is that I don't uphold this complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 28 April 2026.

Claire Lisle  
**Ombudsman**