

The complaint

Mr A complains Bank of Scotland plc (“BoS”) acted unfairly by not refunding a payment he made using his debit card.

The payment Mr A made was from a joint account he held with Mr A2. However, this complaint has been brought by Mr A, so for simplicity I’ll only refer to him throughout this decision.

What happened

Mr A booked a four-night stay for May 2025 at a hostel I’ll refer to as U. On arrival, he paid a total of £182.12 to U, using his BoS debit card.

Mr A says due to noise levels within the hostel and outside, along with other issues, the accommodation was unsatisfactory. Mr A says he complained to U but that it didn’t help, and the staff were aggressive. As a result, he says he was forced to leave and had to pay to stay at another hotel for the remainder of his holiday. Mr A says U refused to provide a refund for the unused days he’d booked.

As he remained unhappy, Mr A contacted BoS for help in getting his money back. He says over the course of several phone calls he was given incorrect and contradictory information by BoS. Initially he says he was told he could request a refund but later told this wasn’t correct. Due to the significant amount of time spent trying to resolve matters with BoS, and the contradictory information provided, Mr A complained.

As BoS didn’t provide its response within eight weeks of Mr A raising a complaint, Mr A contacted this Service.

While the complaint was with this Service, BoS issued its final response letter in which it apologised for the service Mr A had received. It confirmed the issue should have been resolved in May 2025, when he first contacted BoS, but it had caused delays. BoS paid Mr A £100 to apologise for the delays caused and confirmed it would raise a chargeback with U – for which it provided a temporary credit of £136.56.

BoS raised a chargeback with U, which is the process of asking the merchant for a refund via the card scheme provider – Visa in this case.

However, U defended the chargeback, saying its terms and conditions didn’t allow for a refund as Mr A was outside of the free cancellation period when he made the decision to leave. As such, BoS recalled the temporary credit it had previously applied to Mr A’s account of £136.56 and didn’t pursue the matter further.

Mr A later explained BoS had recalled the funds from his account in August 2025, after saying the refund would be permanent.

An Investigator here reviewed matters and overall considered BoS had acted unfairly and for this it should pay Mr A an additional £100. They agreed BoS caused delays and gave

misleading and incorrect information which would have been understandably stressful. They agreed BoS had incorrectly told Mr A the temporary credit wouldn't be removed, but because the chargeback hadn't been successful it was right it was recalled. They also said under chargeback, Mr A wasn't able to claim consequential losses.

Mr A didn't agree and in summary said £100 didn't fairly resolve matters and thought he should receive a full refund, plus compensation and the costs he'd incurred as a result. As no agreement could be reached, 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.

In doing so, I've taken into account the relevant industry rules and guidance and what would be considered as good industry practice.

Firstly, I should say I was sorry to hear about what happened during Mr A's stay with U, from what he's explained I can appreciate it would have been a distressing time for him. So I'd like to reassure Mr A I've taken this on board when coming to my decision.

However, I also want to explain, within this decision I'm only able to consider whether BoS - a financial services provider – has acted fairly and reasonably in handling Mr A's request for a refund. I must make the distinction between the financial services provider (BoS) and the merchant (U). That's because I can't look directly at the actions of U, or comment on those.

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 BoS and whether it acted fairly and reasonably in the way it handled Mr A's request for help in getting his money back. This will take into account the circumstances of the dispute and how U has acted, as well as other considerations, such as the card scheme rules, which BoS must follow and its own obligations.

Chargebacks are not guaranteed to succeed; the recipient of the funds (U in this case) can choose to challenge or defend a chargeback if it doesn't think it is valid. But I would expect BoS 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, I would expect BoS to look carefully at the submissions made by the other side and make a decision on whether to continue pursuing the chargeback. I would not expect BoS to pursue it further if the submissions showed it no longer had a reasonable prospect of success.

In this case BoS has accepted it made an error. It gave Mr A contradictory and misleading information when he initially called and in follow up communications. This meant it didn't raise a chargeback with U until July 2025, many months after Mr A initially raised it. This delay meant Mr A was caused unnecessary distress and inconvenience in having to chase BoS. For this, BoS has paid Mr A £100 to apologise, and accepted it made errors, so I've taken that into consideration when deciding what a fair outcome would be.

Although delayed, when BoS pursued the chargeback, my understanding is, it did so under the dispute reason code "*Not as Described or Defective Merchandise/Service*". That seems reasonable as Mr A says he didn't receive the stay at the hostel he paid for - as he was unhappy with the level of noise and overall quality of the accommodation.

On this point, our Investigator considered it may have been more suitable for BoS to process a chargeback under the reason code "*Merchandise/Services Not Received*". They said that because this included merchants who were unwilling to provide a service. In this case I don't think I've seen sufficient persuasive evidence that U refused to provide the service Mr A paid for, so I don't necessarily agree here. But in any case, I don't think using an alternative reason code would have resulted in a different outcome, so I don't think it's necessary to make a finding on alternative reason codes BoS could have used in any case.

I say that because, U defended the claim, saying as Mr A left early, its terms and conditions didn't allow for a refund, and he was outside of its free cancellation period.

It's not clear whether BoS shared this response with Mr A, but even if it didn't, I don't think that's unreasonable as I don't think there was a reasonable prospect of the chargeback succeeding in any case. So I can't say BoS acted unfairly in not pursuing Mr A's chargeback any further than it did or declining it.

I say that because, one of the requirements under chargeback for a merchant to defend a claim is to show the dispute was invalid. Having looked at U's terms and conditions as well as Mr A's booking confirmation, it states:

"Free Cancellation until 23.59 May 1 2025"

And

"If you cancel the same day of arrival, the booking is considered non-refundable. No-shows will be charged for the entire booking.

Cancellation policy non-refundable rate; the full amount of your booking will be charged."

Mr A didn't raise his concerns with U until around 6 May 2025, so he was already outside of the free cancellation period. And based on the above, the booking would have been non-refundable.

I've also not seen anything within U's terms that allows for cancellation after the period set out above, where a customer is dissatisfied with the quality of the service being provided – as was the case here.

As such, I don't think BoS acted unfairly in not pursuing the chargeback, or declining it. As U evidenced Mr A didn't have cancellation rights for this booking and the service was available.

In this case, BoS raised a partial chargeback for the nights Mr A didn't use, which as I've explained above was unsuccessful. But I'm aware Mr A also said BoS should have attempted a chargeback for the full amount of his stay, as even though he stayed for one night – the quality of the accommodation on that night was poor as a result of the noise, so he says this wasn't as described.

Had BoS done this, I also don't think there was a reasonable prospect of success, so I don't think this would have resulted in a different outcome either. I say that because, Visa makes it clear in its rules that a chargeback situation like Mr A's (where services are alleged not to have been as described) can only be made for the "unused portion" of the service. There is also separate guidance for Visa, that gives examples of this, which suggest the "unused portion" refers to nights where the accommodation has not been stayed in.

Given this, I think even had BoS pursued a chargeback for Mr A for the full stay, there would have been no real prospect of success, because he stayed at the property for the first night,

and wasn't eligible for a refund when not using the remaining nights. And, while BoS didn't pursue Mr A's chargeback claim in the first instance, as I'd expect, it doesn't mean it should now honour his claim.

Temporary credit

Mr A has also complained BoS told him the temporary credit it paid into his account in July 2025 would be permanent.

Having reviewed all of the information available, I think BoS initially made clear the credit would be temporary, both by letter and during the call it had with Mr A. The decision on whether to issue a temporary credit is for BoS to make, there's no requirement within Visa's rules to do so, so it's reasonable BoS chose to do that here. It was also fair to remove the temporary credit, because ultimately Mr A's claim was unsuccessful, so he isn't entitled to those funds.

That said, during a call in August 2025 Mr A was incorrectly told the credit wouldn't be removed – but shortly after it was.

While BoS made an error, that doesn't mean it would be fair to require it to pay Mr A that amount. As if I did it would result in an unfair outcome, because Mr A wasn't eligible for a refund as his claim was unsuccessful.

What I can however consider is the impact that incorrect information had on Mr A. Understandably it raised his expectations as he thought the matter had been resolved, and he was caused inconvenience in having to follow this up, so it's reasonable he's compensated for that. And based on everything I've seen, I think £100 is fair in the circumstances of this case. That's because BoS initially gave the correct information about this and removed the credit shortly after it told him it wouldn't – which I consider lessened any potential impact this might have had.

Consequential loss

Mr A also considers BoS should pay consequential losses, covering the payment he made to stay in alternative accommodation.

However, here as Mr A made payment using his debit card, the only route to obtain a potential refund is through a chargeback. And under this process, a customer can only claim a refund for the amount they've paid to the merchant. Visa's rules say:

“The Dispute amount must be either:

- *The actual billed amount*
- *The Partial Transaction amount equal to the disputed amount”*

Here this means, the maximum Mr A could claim would be the amount paid to U. I've explained above why I don't think Mr A's claim had a reasonable prospect of success and therefore he wasn't due a refund under the chargeback process. And while I agree BoS made errors, it doesn't mean it's therefore liable to pay other costs Mr A incurred as a result.

For completeness, I'm aware Mr A also raised concerns about delays he says BoS has caused in dealing with this Service and thinks he should be compensated for this. However, I'm looking at the actions BoS took in handling the chargeback and subsequent complaint he raised with it. So while I appreciate Mr A may be frustrated about the amount of time this matter has been ongoing, I haven't found BoS' delays to have impacted the outcome of his

chargeback for the reasons explained above. And considering the compensation as a whole I find this fairly acknowledges any shortfalls in the service BoS provided.

While I appreciate this will come as a disappointment to Mr A, I don't think BoS came to an unfair outcome when it processed his chargeback claim. It pursued the claim as far as it reasonably could, but because U provided evidence to show Mr A wasn't due a refund, it was reasonable to not to pursue it further. However, I do think BoS delayed processing Mr A's chargeback claim and provided incorrect information about the temporary credit. So for this, I think a fair resolution would be for BoS to pay Mr A the total of £200.

Here, BoS has already paid Mr A £100, as such, to resolve this complaint I require it to pay Mr A £100 more.

My final decision

For the reasons I've explained above, I uphold this complaint and require Bank of Scotland plc to pay Mr A £100 more. Making a total compensation payment of £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Mr A to accept or reject my decision before 11 February 2026.

Victoria Cheyne
Ombudsman