

## **complaint**

Mrs L is unhappy that Lloyds Bank PLC (“Lloyds”) hasn’t helped her to get the refund she thinks she’s entitled to receive in connection with a holiday. She complains about the way Lloyds has handled her complaint, and the impact that has had on her.

## **background**

Mrs L paid £9,298 for a holiday for her and her husband using her debit card. She paid for the holiday in three instalments. The money came from a joint account she had with her husband. Mrs L said the holiday wasn’t as it was described. It seemed the supplier agreed up to a point. It accepted that some parts of the holiday didn’t match up to what it told Mrs L it was going to provide. Mrs L accepted £1,000 from the supplier to settle her complaint with it.

Mrs L asked Lloyds to raise a chargeback claim for the £9,298 (the chargeback money). Lloyds accepts it didn’t handle the chargeback claim well. After some initial disagreement about raising the chargeback, it decided to investigate. After the chargeback claim was made, it followed its usual practice and credited three amounts to the joint account – to reflect the three payments made from the joint account.

Mrs L says she and her husband are getting a divorce, so she expressly told Lloyds not to credit the three amounts to the joint account. She wanted the money to be credited to an account in her name only.

When Lloyds did raise the chargeback, it gave Mrs L contradictory information about it. She told us that Lloyds told her that the chargeback was successful at the end of April 2017. So she and her husband booked a cruise for them to celebrate. He put the £940 deposit on his credit card for this at the end of April 2017.

Later Lloyds said the chargeback hadn’t been successful after all, as it had used the wrong chargeback code. It refused to make a second chargeback claim. Lloyds said that other travellers’ chargebacks (using the right chargeback code) were unsuccessful, so there was no point in making a second chargeback claim.

Mrs L told us that she told the other people on the holiday of her chargeback success on the internet. She told us she felt like a fool after she realised that the chargeback hadn’t been successful after all. By the time she was told this, she’d entered into contracts with some of them to handle their chargeback claims. She’d done hours of work on these claims, but they had little chance of succeeding.

At the end of June 2017, Lloyds told Mrs L it would write off the chargeback money as an operational loss. Mrs L says she relied on this and entered into financial commitments on the basis of this information. She also says she left her long marriage in early August 2017 thinking the chargeback money was hers.

Mrs L says that within days of leaving her marriage, Lloyds told her that it wouldn’t write off the money as an operational loss after all. But she’d relied on having the chargeback money to cushion her while she moved out of the family home, got a job, and built a new life for herself. So Lloyds’ decision to change its mind and not write the money off as an operational loss had a huge impact on her.

In October 2017 Lloyds re-debited the chargeback money it had paid into the joint account after the chargeback claim had been made. That made the account £9,298 overdrawn. By the time this happened, the joint account had been converted into an account in Mrs L's sole name. So she became wholly responsible for the debt.

Our adjudicator understood why Mrs L was so unhappy about how the chargeback had been handled. But he said our role was to consider whether Lloyds made a mistake when it refused to raise a second chargeback claim. He didn't think Lloyds was required to raise a second chargeback. That's because he could see that it had considered the outcome of other chargebacks made by other people on the holiday. So he thought that even if the right outcome code had been used, Mrs L's chargeback claim would not have been successful.

Lloyds has paid £1,450 compensation in total for its handling of this matter. The evidence provided shows it paid £100 on 28 March 2017, £75 on 8 May 2017, £75 on 9 June 2017, £300 on 28 June 2017 and £900 on 9 August 2017. The statements that Lloyds has provided show that all of that money (except the 8 May payment) was credited to the joint account.

Our adjudicator didn't think it would be fair and reasonable for us to require Lloyds to pay more compensation. He thought the £1,450 paid reflected the significant nature of Lloyds' mistakes.

Mrs L disagreed and asked for her complaint to be reviewed.

### **my findings**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

In my provisional decision I said that there was no dispute that Lloyds handled Mrs L's chargeback poorly. It had already paid her £1,450 compensation, and Mrs L also accepted £1,000 from the holiday supplier. So the question I needed to consider was whether the compensation Lloyds paid Mrs L was enough.

I didn't think it was. I said Mrs L was in a particularly sensitive and vulnerable position in summer 2017 that was exacerbated by Lloyds' handling of the chargeback. I thought Mrs L genuinely thought all the chargeback money was hers to spend after Lloyds told her it would write it off as an operational loss. Although I couldn't say this was the only reason why she left her husband, I was in no doubt that she'd counted on the money when she left her marriage. So I thought Lloyds' decision to re-debit the £9,298, and hold her responsible for it, was devastating for her.

I also said that by the time Lloyds re-debited the chargeback money in October 2017, the relevant account had been converted into a sole account in Mrs L's name. That meant that Mrs L was solely responsible for the £9,298 debt, and that adverse information about the debt had only been recorded on her credit file. This had a considerable ongoing impact on her. Mrs L has provided us with information to show that it has hampered her ability to get credit and a job. It has also left her with a substantial debt she can't pay off.

I couldn't see that Lloyds warned Mrs L that it could change its mind about writing the chargeback money off in April 2017. Nor could I see that it warned her of the consequences of converting the relevant account into an account in her sole name in September 2017. I

didn't think she would've agreed to convert the account into an account in her sole name in September 2017 if that had happened.

Taking the matter as a whole, I said Lloyds should pay Mrs L £2,500 compensation to resolve this complaint (on top of what it has already paid). I also said Lloyds should write a letter to Mrs L apologising for what happened, and acknowledging its mistakes.

In her submissions to us, Mrs L also told us that she'd entered into contracts with other people on the holiday after she was told her chargeback had been successful. And she didn't want the hassle of handling these chargebacks any longer. In my provisional decision I appreciated where Mrs L was coming from on this point. But I didn't think it would be fair and reasonable for me to require Lloyds to compensate her for this. I said that Mrs L had made it clear that she'd entered into commercial contracts with the relevant third parties – in other words, that she'd entered into a business relationship with them. I didn't think Lloyds would have reasonably expected Mrs L to do this. And I didn't think it would be fair and reasonable for me to require Lloyds to compensate her for the commercial losses that Mrs L says stem from what happened.

Lloyds didn't think my provisional decision was fair and reasonable. In its response it didn't comment on the majority of what I said. Instead it said that some of what Mrs L has told us is inconsistent and implausible. For example, it said that on the one hand Mrs L asked Lloyds not to pay money into the joint account because she was getting divorced. But after this she still she booked a holiday with her husband.

Lloyds also said that Mrs L's husband was removed from the account around a month after she says she left her husband. So she would've known that she would've become solely liable for the chargeback money.

Mrs L didn't agree with my provisional decision either. She made a number of points that I'll consider below. She still doesn't think it's fair that she's being asked to pay back the chargeback money, and she wants the Lloyds to remove the default from her credit file.

#### *Lloyds' comments*

As I said above, Lloyds didn't comment on the majority of what I said. Instead it said that some of what Mrs L has told us is inconsistent and implausible. I accept that Mrs L hasn't always been consistent with us or Lloyds. But I don't think what she has told us is implausible. I remain satisfied that Mrs L left her husband when she says she did. And I understand why she acted to try to mend her marriage (for example by booking a holiday with her husband) before she took the final decision to leave. If some of what Mrs L did in 2017 looks surprising to Lloyds, I think that can be understood the particularly sensitive and vulnerable position she was in.

I remain of the view that Mrs L would've thought and acted differently if Lloyds had warned her that its decision to write off the chargeback money could be reversed, and that it would act to take back the chargeback money after this.

Lloyds argues that by the time Mrs L's husband was removed from the account, she knew she would become solely liable for the chargeback money. But I disagree. Mrs L didn't accept she owed the chargeback money at this time. She doesn't accept this now. I don't think she appreciated that Lloyds would simply re-debit the money from the account that she was solely responsible for while she challenged this. Nor did she appreciate the impact this

would have on her credit file. Mrs L wasn't the expert in this situation. Lloyds was. That's why it should've taken the time to explain its position to her and how it could impact her.

*Mrs L's comments*

Mrs L has made extensive comments on my provisional decision. I've considered them all. But her main concerns are the default on her credit file and the fact that she thinks it's unfair that she is being asked to repay the chargeback money/she thinks she should be awarded more compensation. So I've focused on these in this decision.

*the default*

I'm in doubt about Mrs L's strength of feeling about the default, and the ongoing impact it is having on her. But I think that Lloyds was entitled to record the default on her credit file after it re-debited the chargeback money, and she didn't repay it.

Mrs L says the default isn't accurate. She doesn't accept she owes the chargeback money given that she spent it after she was told that Lloyds would be writing off the money as an operational loss.

But I'm afraid I disagree. Mrs L was told Lloyds wouldn't be writing off the chargeback money after all in August 2017. So she knew Lloyds' position when she spent money after this. I appreciate she went on to spend a significant amount of money after this on her divorce, amongst other things. I also appreciate that she has told us that she doesn't have the money to repay Lloyds now, and that the default is hampering her ability to get a job.

I'm very sorry to hear about the position Mrs L finds herself in. But as I said above, Lloyds was entitled to record the default on her credit file. And while I appreciate that Mrs L feels this has been done as a punishment, I don't think it has. It's standard practice for banks to record defaults on customers' credit files in these circumstances.

As Mrs L has made it clear she's in financial difficulties, Lloyds is required to treat her positively and sympathetically. But that doesn't mean Lloyds is required to write off the debt. We've spoken to Lloyds. And it has told us that it would consider removing the default from Mrs L's credit file after she repays the debt. So I would encourage her to contact Lloyds and talk to it about repaying the debt at a rate she can afford.

*the £2,500 further compensation*

Mrs L said the £2,500 further compensation I suggested in my provisional decision didn't take into account the £940 non-refundable holiday deposit that was paid after she was told her chargeback had been successful, the £4,000 she said she'd give her son for a new car in summer 2017, and money she has spent on carpets after she left her marriage.

Before I issued my provisional decision I spoke to Mrs L on the phone. On that call Mrs L told me that her husband put the £940 on his credit card to pay the holiday deposit. She also told me that while she'd promised her son £4,000 for a car, she didn't give him this money in the end. On that call I also told Mrs L that the bank statements I'd seen showed me that Mrs L's husband had put money into the joint account to cover the car anyway.

Finally I think it's worth saying that I while I accept that Mrs L counted on having the chargeback money when she left her husband, and despite my empathy for Mrs L given

everything she has told us about her circumstances, I don't think it's fair to hold Lloyds responsible for her decision not to go on a holiday she'd booked, her divorce, or the costs that flow from this. This includes the costs of setting up her new home and the costs of the legal representation she has used in connection with her divorce.

Mrs L also disagreed with my reasoning for not compensating her for the commercial contracts she entered into after she was told her chargeback was successful. I appreciate Mrs L's position on this, but I'm afraid my view is still the same as set out in my provisional decision.

Finally Mrs L suggested that Lloyds should be punished for all the stress and upset its actions have had on her. But my role isn't to punish Lloyds for what happened. It's to try to resolve this complaint in a way that's fair to both Mrs L and Lloyds.

#### *conclusion*

Taking the matter as a whole, I think that Lloyds is entitled to ask Mrs L to repay the chargeback money. But it should send her a cheque for £2,500 to compensate her for the substantial distress and inconvenience it's handling of this matter has caused.

#### **my final decision**

My final decision is that Lloyds Bank PLC should send Mrs L a cheque for £2,500 to compensate her for the substantial distress and inconvenience it has caused.

It should also write a letter to Mrs L apologising for what happened, and acknowledging its mistakes.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 2 November 2018.

Laura Forster  
**ombudsman**