

complaint

U is a limited company and its complaint is brought by its representative Mr K. Mr K complains that Barclays Bank PLC (trading as Barclaycard) unfairly closed U's merchant services facility and held back money in U's account.

background

U took card payments through its merchant services facility with Barclaycard. In January 2015, Barclaycard wrote to Mr K to say that he should contact it for authorisation for transactions over £300, and that it should not split sales to get round this requirement.

In April 2015, Barclaycard's fraud prevention systems were triggered by some transactions that were processed through U's card terminal. A large card payment was declined and Mr K says that U tried to get authorisation from Barclaycard a number of times but was cut off.

Barclaycard says that one call was disconnected for unknown reasons, but that no further attempt was made to get authorisation and that U then processed a number of transactions in quick succession on the same card – totalling £4,500.

These transactions were later found to be fraudulent. Barclaycard says that it made the decision to give U notice that it was closing the merchant facility, and that it held back funds against potential charge backs.

Mr K says that this decision was unfair, and did not take account of the steps U took to try to comply with Barclaycard's requirements. He also says that withholding money has badly affected U and that U has been unable to get alternative merchant facilities from other providers. As things were not settled, Mr K brought his complaint to this service where an adjudicator investigated it.

From the evidence, the adjudicator did not think that Barclaycard had been unfair in requiring U to obtain authorisation for card transactions over £300. The adjudicator considered that U had split transactions, and found that Barclaycard had been entitled to give U notice to close the facility and withhold funds. The adjudicator was not persuaded that Barclaycard had registered unfair information about U.

Mr K did not agree with the adjudicator and said, in summary:

- He tried twice to get authorisation of payment, but each time Barclaycard transferred the call and then put the phone down.
- Barclaycard has kept back not only the money for the fraud but also about £2,000 worth of sales made after that, which has nothing to do with that.
- Barclaycard has flagged U on fraud databases, preventing it from getting facilities elsewhere. This is losing sales and affecting U's financial position. Barclaycard needs to remove this flag and release the money straight away.
- The fraudulent transaction was a genuine mistake made by a member of staff on the day, who could perhaps have done more to prevent the transaction, but this should not mean that U is punished.

my findings

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

I can appreciate that it was not convenient for U to have to obtain authorisation for transactions in excess of £300. However, in all the circumstances I find that it was not unreasonable for Barclaycard to impose this requirement. It made U fairly aware of this, and it was U's responsibility to make sure that its staff applied the rules when taking card payments.

I have carefully considered Mr K's argument that two attempts were made to try to get authority for the £3,800 transactions, but that these failed because Barclaycard kept transferring the calls and then hanging up. Barclaycard does not have any record of more than one call, which it says was disconnected for an unknown reason.

Having been unable to get authorisation for the transaction U then put through fifteen transactions in thirteen minutes, using the same card, with each transaction being £300. I am satisfied that this represented 'split' transactions, which U knew contravened the terms of the facility.

When the transactions were subsequently reported as fraudulent, Barclaycard kept back the money. That is normal, and I cannot see that U was entitled to keep the proceeds of fraudulent transactions. But Barclaycard has also kept back some additional funds, relating to other transactions accepted by U.

Barclaycard has said that this is in case of further charge backs, and that it will review the position once the relevant charge back period (which the card scheme sets) has expired. I realise that this is affecting U, but – looking at the overall circumstances here – I am not persuaded that it was unfair for Barclaycard to keep back this money in this case.

Barclaycard gave U notice that it was closing the merchant facility, and that notice is in keeping with the terms of the contract. U has also complained that Barclaycard has 'flagged' it to prevent other merchant service providers offering it facilities. I have made further enquiries on this point and I am satisfied that Barclaycard has not registered information that is unfair. It is for each provider to consider whether or not they will offer facilities to U, and the registration is not an automatic ban as Mr K suggests.

my final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K (on behalf of U) to accept or reject my decision before 28 September 2015.

Jane Hingston
ombudsman