

The complaint

Miss C complains Monzo Bank Ltd failed to assist her when she wanted to dispute payments made on her debit card for the rental of holiday accommodation.

What happened

Miss C used her Monzo debit card to make two part-payments totalling £342 for the rental of a holiday cottage she'd booked through a website I'll call "S", for 30 June 2023 for seven nights. The total cost of the booking was £461, made up of rental of £419, and fees due to S of £42. On arrival at the cottage, Miss C had a number of concerns about the accommodation. Among other things, she said there was a bad smell and damp on the walls, the property hadn't been cleaned and some of the electrics didn't work. On top of that, Miss C says the toilet didn't flush. She says she highlighted these problems, and was told a cleaner would attend to them by mid-afternoon, but that all the cleaner did was mop the floor and change the bedsheets. After unsuccessfully seeking alternative accommodation through S, she moved out of the cottage after staying one night and paid to stay somewhere else for the remainder of her trip. She contacted S to complain, but says she was told they couldn't do anything.

Miss C contacted Monzo on 10 July 2023 in an attempt to reclaim the money she'd paid for the accommodation. Monzo asked for some more information about the problems with the cottage, explaining that it needed good evidence to submit to Mastercard under the chargeback process. Miss C sent some photographs and some further explanation of the problems, and Monzo wrote back to say her dispute didn't meet Mastercard's rules, so it couldn't raise a chargeback for her. Miss C complained about this decision but Monzo refused to change its position. In a final response dated 3 August 2023, the bank explained that it didn't have "chargeback rights" and that if it had raised a chargeback Mastercard would have rejected it.

Dissatisfied with this response, Miss C referred her complaint to the Financial Ombudsman Service where it was looked into by one of our investigators. Our investigator thought the complaint should be upheld, reasoning that Miss C had attempted to dispute the payments to S within the time limits allowed under Mastercard's rules for disputes involving the quality of services. She also concluded Miss C met the other criteria set out in Mastercard's rules for such disputes.

As a result, our investigator concluded that Monzo – which was at that time still within the time limits allowed under Mastercard's rules – should attempt a chargeback on behalf of Miss C. She also thought Monzo should pay Miss C £100 compensation for the inconvenience caused by its failure to attempt a chargeback.

Miss C didn't specifically say that she accepted our investigator's assessment, although it appears she was satisfied with the contents. Monzo didn't agree however. It made the following points:

- Most of Miss C's dispute with S was very subjective. Clearly the accommodation hadn't met Miss C's expectations, but that was different to it not being as described

or defective in some way.

- There wasn't enough evidence to prove any failure of the accommodation to meet its description, or that it wasn't up to standard.

Our investigator replied to say that she considered there were aspects of Miss C's claim which were non-subjective and that she remained of the view that Monzo should attempt a chargeback. Unfortunately, no agreement could be reached, and so the case was passed to me to decide.

However, while Miss C's case had been waiting to be reviewed by an ombudsman, the time limit for Monzo to attempt any chargebacks had expired. I asked our investigator to carry out a further review following this to see if it changed her recommendations. She wrote to both parties with a revised assessment. In this our investigator said she remained of the view that Monzo hadn't treated Miss C fairly by failing to attempt chargebacks. Reinforcing her view was a response by the cottage owner to an online review posted by Miss C, in which they appeared to have acknowledged there was an issue with the property.

Our investigator noted that Miss C had received refunds totalling £119 via chargebacks through another bank in relation to the same booking. She also noted that Miss C had stayed for one night at the cottage – which she calculated would be valued at £59.86 – and that S's fees were separate to the rental for the cottage and would have been payable regardless of the condition of the property. In light of this, she considered Monzo should refund Miss C £240.14, along with compensatory interest, and pay her the £100 compensation as previously recommended.

Monzo replied to say it still disagreed with our investigator. It felt that Mastercard would not have ruled in Miss C's favour due to the subjective nature of her claim and lack of evidence. It didn't consider that it had acted unfairly in not attempting chargebacks, given the lack of any prospect of success.

The case was subsequently returned 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.

When a person uses a debit card to pay for goods or services, their card issuer can use the dispute resolution system operated by the card scheme (Mastercard in this case) to try to claim back the payment(s) in the event of certain categories of dispute occurring. Disputes raised via this system are usually referred to as "chargebacks". The rules for the dispute resolution system are set by the card scheme, and include provisions around how long a card issuer has to raise a chargeback, the types of scenario in which a chargeback can be raised, and the kind of evidence required to support one.

Chargebacks are not guaranteed to succeed. The recipient of the funds can choose to challenge chargebacks if they don't think they are valid or justified. If no agreement can be reached between the card issuer and the recipient, then Mastercard can be asked to make a ruling on the dispute, in a process called arbitration.

There's no general consumer right which says a person can demand that their card issuer attempt chargebacks. However, when faced with a consumer disputing a payment or payments made using their debit card, I would expect a card issuer to attempt a chargeback as a matter of good practice, so long as to do so would be compliant with the card scheme

rules and have a reasonable prospect of succeeding. I would also expect the card issuer to conduct the chargeback process in a competent way, without making errors.

Our investigator provided a detailed outline of the relevant Mastercard rules in her initial assessment. Neither party has challenged what the rules say, so I don't intend to go into great detail on this point. I will say only that having reviewed the rules myself I am satisfied that:

- It is possible to attempt a chargeback under Mastercard's rules where services don't meet their description or are defective in some way. Miss C's dispute would have fallen into this category.
- At the point Miss C contacted Monzo to dispute the transactions to S, this was well within the time window allowed under Mastercard's rules for such a chargeback to be attempted.
- Miss C had tried to resolve her concerns with S before requesting a chargeback, as the rules required.

Monzo says it didn't attempt a chargeback on either payment because, in its opinion, there wasn't a reasonable prospect of success based on its experience of similar disputes. It has focused in particular on the nature of Miss C's claim being subjective, and of a lack of evidence to show the accommodation was not as described or defective.

I think Monzo is right to suggest that complaints about holidays and related services often have a subjective element. Accommodation that one person finds rustically charming and cosy may be considered dated and cramped by another person, for example. However, I'm not convinced that all the issues Miss C mentioned are matters of subjective taste. Not having a flushing toilet appears to be a fundamental problem with holiday accommodation, for example, and I think any holidaymaker would expect accommodation to have been cleaned prior to their arrival. While Miss C couldn't provide photographic evidence that the toilet didn't flush, or that power sockets didn't work, she did give a written description of these things and supplied photos to Monzo of other issues such as mould on the walls and broken floor tiles.

I appreciate Monzo had doubts that Mastercard would have supported Miss C's claim had a chargeback been attempted and been appealed all the way to arbitration. But as I've said above, I would have expected the bank to *attempt* chargebacks if there was at least a reasonable prospect of these succeeding. On the face of it, I think there was a reasonable chance of success in Miss C's case. Her dispute fell into the allowed categories under the Mastercard rules and she had provided at least some evidence in the form of an explanation and some photos. She had also left the accommodation after the first night, so it couldn't be argued that she would be ineligible for a refund because she had stayed at the cottage for the duration of her booking.

Overall, I think Monzo should have attempted chargebacks on the disputed payments to S. It failed to do so, which means I've had to assess whether Miss C has likely lost out as a result.

In order to carry out this assessment, I've needed to think about whether the chargebacks were likely to have succeeded, had Monzo attempted them, and how much of a refund Miss C would have received.

It is apparent the chargebacks raised by Miss C's other card issuer against S were successful. The reason these chargebacks were successful is unknown, so the fact of their

success doesn't necessarily mean that any chargebacks raised by Monzo would also have been successful. However, as our investigator pointed out, the owner of the cottage responded to a review Miss C left on S's website. In this response the owner apologised that the cottage "hadn't been up to standard" and that they had "spent the week working out how this could have happened, and rectifying faults". They said they had now carried out a deep clean and they had employed a plumber to look at the toilet. It appears to me from this that the owner accepted the cottage was not up to a reasonable standard when Miss C arrived.

While I cannot know for certain what would have happened had Monzo attempted chargebacks on the payments to S, given the apparent acceptance of the cottage owner that the accommodation hadn't been up to standard, the fact the other chargebacks were successful, and Miss C's departure from the cottage after one night, leads me to the conclusion that the chargebacks would have probably been successful for a partial amount.

In my view this partial amount would have been the cost of the booking, minus S's fees (which were for their booking services, and payable regardless), one night's stay and any refunds already received via Miss C's other card issuer. I've calculated this as follows:

Total cost of booking:	£461
Minus fees of £42:	£419
Cost per night ($£419 \div 7$):	£59.86
Cost of six nights not used:	£359.16
Minus other refunds of £119:	<u>£240.16</u>

This is the total amount I think it's likely Miss C would have received had Monzo acted fairly and reasonably by attempting the chargebacks. As it failed to do so, to put things right it should now pay this amount to Miss C.

Our investigator considered Miss C should also receive £100 compensation for the impact on her of Monzo's service failings. I think Monzo's failure to attempt the chargebacks did cause a degree of distress to Miss C. I can see from her correspondence that she was worried about her financial situation because she'd needed to pay a second time for holiday accommodation and hadn't received a refund for the booking through S. I can see she was also quite frustrated at the general position taken by Monzo. In light of this, I think £100 compensation is a fair amount to reflect the non-financial impact of Monzo's failings in this case.

My final decision

For the reasons explained above, I uphold Miss C's complaint and direct Monzo Bank Ltd to take the following actions:

- A) Pay Miss C £240.16, this being the amount she would have likely received had the bank attempted chargebacks against the payments to S.
- B) To the amount in A), add 8% simple interest per year*, calculated from the date Miss C asked the bank to attempt the chargebacks, to the date the refund is paid.
- C) Pay Miss C £100 compensation to reflect the non-financial impact on her of its service failings.

* If Monzo Bank Ltd considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss C how much it's taken off. It should also give Miss C a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 14 June 2024.

Will Culley
Ombudsman