

The complaint

Miss J has complained about the way Nationwide Building Society handled her request for money back.

What happened

The circumstances of the complaint are well known so I won't go over everything again in detail. But, to summarise, Miss J was unwell while she was abroad and needed to go to hospital for treatment. She paid \$2,500USD to the hospital to cover the cost of treatment using her Nationwide debit card. The treatment cost \$1,731.64USD and Miss J tells us she therefore expected a refund of \$768.36USD.

Miss J didn't hear anything from the hospital, so she contacted Nationwide to put in a claim. Nationwide raised a chargeback and temporarily credited Miss J the sterling equivalent of her expected refund – £637.63. Nationwide said the merchant's bank declined the claim saying it wasn't happy with the amount. I've seen a response that shows the merchant acknowledged the treatment cost \$1,731.64USD but it didn't recognise the claim amount of \$772.81USD. I understand this is the amount that the sterling chargeback amount of £637.63 related to. But the merchant did acknowledge Miss J was due a refund of \$768.36.

Meanwhile, the merchant wrote to Miss J separately to say it had the intention of making the refund but as Miss J had put in a claim it wasn't processed. The merchant said it was unable to make the refund, but that Miss J's bank should pay her directly.

Miss J was concerned Nationwide hadn't submitted the claim for the correct amount. Nationwide responded to Miss J's claim ultimately saying the reason the chargeback was declined was on the basis the merchant didn't promise a refund. Miss J referred her complaint to the Financial Ombudsman.

One of our investigators looked into things and decided to uphold the complaint. She thought Nationwide should have pursued the chargeback further. She highlighted the merchant had acknowledged a refund was due. She noted Nationwide had said it was unable to amend the amount of the claim, but she thought there'd have been a reasonable prospect of success had the chargeback been taken further, to arbitration. Moreover, she said she'd not seen Miss J had tried to claim an incorrect amount. She thought Nationwide hadn't handled things fairly and she thought the issue was down to exchange rate fluctuations. She said the matter had been ongoing for some time and had caused distress and inconvenience to Miss J. She recommended Nationwide refund Miss J £637.63 and pay her £250 compensation.

Miss J accepted the recommendations, but Nationwide didn't. It reiterated it couldn't change the amount of a chargeback, and that this could only be done by the acquirer's bank at the point of accepting pre-arbitration from the issuer. Nationwide said it accepted the pre-arbitration on 18 January 2023, but the merchant's bank didn't edit the acceptance amount. Instead, the claim was declined because services were provided. Nationwide said the merchant's bank failed to process the claim correctly and no one had been able to confirm a sterling amount that was correct, which wasn't Nationwide's fault. Nationwide said Miss J

would need to make use of the merchant's complaint procedures. It said it did all it could with the documentation provided.

As things weren't resolved, 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.

I want to acknowledge I've summarised the events of the complaint. I don't intend any discourtesy by this – it just reflects the informal nature of our service. I'm required to decide matters quickly and with minimum formality. But I want to assure Miss J and Nationwide that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this.

What I need to consider is whether Nationwide – as a provider of financial services – has acted fairly and reasonably in the way it handled Miss J's request for getting money back. It's important to note Nationwide isn't the supplier. I've gone on to think about the specific card protections that are available. In situations like this, Nationwide can consider raising a chargeback.

The chargeback process provides a way for a card issuer to ask for a payment to be refunded in certain circumstances. The chargeback process is subject to rules made by the relevant card scheme. It's not a guaranteed way of getting money back.

While it's good practice for a card issuer to attempt to chargeback where certain conditions are met and there's some prospect of success, there are grounds or dispute conditions set by the relevant card scheme that need to be considered. If these are not met, a chargeback is unlikely to succeed. And something going wrong with a merchant won't always lead to a successful claim.

Miss J wanted Nationwide to help her with a claim for a credit not processed. From looking at the evidence, it doesn't seem to be in dispute that Miss J was due a refund of \$768.36USD. This represented the unused portion of the \$2,500USD payment she'd made for the hospital treatment.

On the one hand, it looks as though Nationwide didn't just raise a chargeback, but it also took it to pre-arbitration. I think this was fair of it. There seems to have been a combination of responses for why the chargeback was declined. The merchant didn't recognise the initial chargeback amount. And for the pre-arbitration it said no credit was due because services were provided. It looks like part of the issue may have been down to the fluctuating exchange rates in relation to the amount being claimed when it was converted from sterling to US dollar. And Nationwide has said it wasn't able to change the amount requested.

But on the other hand, it doesn't seem to be in dispute Miss J was due a refund. Nationwide raised the chargeback over a month after Miss J had made the payment, so I can understand why Miss J may have thought the merchant had enough time to have processed the refund. It's not Miss J's fault that the initial issue seems to have arisen due to a fluctuation in the exchange rate.

I note there's a slight discrepancy in the sterling amounts that have been referred to as well. Nationwide credited Miss J with £637.63 which seems like the correct sterling equivalent of \$768.36 on the relevant day. But I've seen other amounts in correspondence including £642.43 from the dispute team, and £638.84 on the pre-arbitration. I'm not totally clear why there are differing amounts. It can't be that unusual for claims to be made on transactions carried out in a different currency, so I'm not sure why it's caused so many issues in Miss J's claim.

Moreover, the response from the merchant to the pre-arbitration didn't correctly address the claim. Miss J didn't make a claim for services not provided. She'd made a claim for a credit not processed. I don't think the answer was correct for the type of claim. And Nationwide has acknowledged the merchant's bank didn't process the claim correctly.

Taking everything into account, on balance, I think there may have been a reasonable prospect of success had Nationwide pursued the chargeback further. I'm not sure why it didn't given it said the merchant's bank had made mistakes in processing the claim. In all the circumstances it doesn't seem fair Miss J has lost out when there was an opportunity for her to be put back in the correct position through the chargeback process. So I agree with our investigator that Nationwide should refund her £637.63, which I think is a fair sterling equivalent of the refund she was due.

I think the matter has caused some overall distress and inconvenience to Miss J. I've thought about the frustration she must have felt. She'd already been unwell abroad and had to pay a significant sum for treatment. She was due a refund and so asked Nationwide for help. The reasons she was being given for the rejection of the claim were probably really surprising for her. Miss J wouldn't have known exactly what amount to claim for. She asked Nationwide for help in claiming money back. And she must have been really surprised to hear the claim was being declined on the basis of services were provided.

Miss J must've also been concerned to hear the chargeback was being declined and the merchant wouldn't refund her because a claim had been raised. It's taken a long time to resolve matters when it's clear Miss J was unhappy with the outcome as soon as she was told about it. While I appreciate there are strict dispute conditions for chargeback, I think Nationwide could have allowed Miss J that further opportunity to resolve things by pursuing the chargeback further. For the reasons given above, I think if it had done so there would have been a reasonable prospect of success. In all the circumstances I think our investigator's recommendation of the refund of £637.63 together with £250 compensation broadly seems like a fair way to put things right.

My final decision

My final decision is that I uphold this complaint and direct Nationwide Building Society to:

- Reimburse Miss J £637.63.
- Pay Miss J £250.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss J to accept or reject my decision before 11 April 2024.

Simon Wingfield
Ombudsman