

The complaint

Mr S is unhappy that a chargeback claim he made to Barclays Bank UK PLC in respect of a deposit he'd paid for a car was unsuccessful.

What happened

Mr S ordered a new electric car from a dealership in January 2022. He paid £1,500 as a deposit using his visa debit card. The order form for the car stated an estimated delivery date of June 2022. Mr S says the dealership then advised him there were delays with the car's manufacture and it wouldn't be delivered until the end of the year and later said it wouldn't be ready until the following summer. Mr S says he then discovered from the manufacturer that there were long delays in getting a particular part to build his car.

Mr S says he didn't want to wait until 2023 for a car and so spoke with the dealership who said he could cancel the order and have this deposit reimbursed. Mr S says that the dealership then offered him the same model of car but with a diesel engine which he declined because he wanted an electric vehicle. He says the dealership then declined to refund him his deposit.

Mr S raised a chargeback claim with Barclays Bank for the £1,500 he had paid as the deposit. Barclays Bank provided Mr S with a temporary refund of the money while it investigated the claim. The dealership defended the chargeback and said the car had been delivered. They provided a copy of the signed invoice form. Barclays Bank then resubmitted Mr S's claim to the pre-arbitration stage where his chargeback claim was declined for the reasons that Mr S had received the goods.

Mr S was unhappy that his claim had been declined and complained to Barclays Bank. It reviewed what had happened and said it wasn't able to uphold his complaint as there wasn't any physical evidence to support his claim about what had happened.

Mr S complained to this service about Barclays Bank's handling of his chargeback claim. Barclays Bank informed our investigator that it accepted it should have gone back to Mr S to see if he had any evidence he could provide in response to the dealership's defence of the claim. It said it would be willing to re-look at Mr S's claim outside of the chargeback process if Mr S could provide evidence that he had cancelled the order due to the dealership being unable to deliver the car.

Mr S, although setting out what had happened, hasn't provided this service with any new documentation about the order/cancellation of this car.

Our investigator, having reviewed the evidence provided recommended Mr S's complaint should be partly upheld. She said that as Barclays Bank hadn't followed the correct chargeback procedure having failed to contact Mr S to seek his representations and further evidence on what the dealership had said that compensation of £100 to him would be fair. She said Mr S had found the chargeback process distressing and inconvenient. She also said that had Barclays Bank contacted Mr S before the pre-arbitration stage, he may have been able to obtain the missing information for a successful outcome.

Mr S said that under consumer protection legislation he believed he was entitled to receive his deposit back from the dealership. He said he would accept the £100 compensation but was unhappy not to receive the remainder of the deposit money.

Barclays Bank disagreed with the view of our investigator. It said that although it hadn't contacted Mr S before moving his charge claim to the pre-arbitration stage there was no evidence to support that the outcome would have been any different. Barclays Bank said Mr S hadn't been able to provide any proof the contract had been cancelled because the dealership couldn't fulfil it and that it had then retained his deposit. It said in those circumstances that compensation wasn't warranted.

As the parties were unable to agree the complaint was passed to me and I issued a provisional decision along the following lines.

I was sorry to see that Mr S had been very distressed by events and I appreciated his strength of feeling that his deposit should have been repaid by the dealership, but I was only looking at the actions of Barclays Bank in respect of his chargeback claim.

I wasn't entirely clear about what had happened between Mr S and the dealership and the cancelling of the agreement. I'd seen that Mr S had been offered another car, a diesel, in the original car's place. I'd also seen that Mr S appeared to acknowledge the dealership may have spent some money on that car fitting heated seats, so I didn't know if there had been some negotiation between Mr S and the dealership over this other car before he cancelled the agreement. But, as set out above, I was only looking at whether Barclays Bank handled Mr S's chargeback claim fairly.

Chargeback is a process that involves the card issuer disputing payments made on the card through a dispute resolution scheme operated by the companies which run the card networks, here that's Visa. It allows customers to ask for a transaction to be reversed if there's a problem with the goods or services they've paid for. There's no automatic right to a chargeback and it isn't a guaranteed method of getting a refund.

The card scheme sets out the necessary conditions under which a claim can be processed. Documentary evidence will be required to support both a claim and a defence by a merchant. Here, Barclays Bank had correctly raised the chargeback claim with the dealership's bank. The dealership had defended the claim and provided the vehicle order form, they said the car had been delivered to Mr S. The chargeback claim was declined.

Barclays Bank had then pushed the claim to the pre-arbitration stage where it was again declined as there was no new evidence provided to support Mr S's claim. Barclays Bank accepted that Mr S should have been contacted to see if he had any evidence that would have rebutted what the dealership had said. However, although accepting it had made this error, Barclays Bank said that as Mr S hadn't provided any other documentary evidence to date then the outcome would have been unchanged, and it wasn't fair in those circumstances for Mr S to receive compensation. It said there wasn't any detriment caused by its actions to Mr S because he couldn't support his claim.

Mr S said he would accept the £100 compensation but was unhappy at the amount. He said that losing the £1,500 deposit had caused a financial strain for him.

I appreciated not receiving the deposit back would be frustrating as well as expensive for Mr S. As set out above, I didn't know why the dealership made the decision it had about not reimbursing this money to Mr S. However, although it wasn't disputed Barclays Bank should have asked Mr S for his comments on what the dealership had said when it defended his chargeback claim and asked him for any other evidence in support, I agree with the Barclays

Bank that it's very unlikely Mr S's chargeback claim would have been successful if it had.

I said this because our investigator had asked Mr S for evidence in respect of his chargeback claim and he hadn't been able to provide anything he hadn't already given to Barclaycard. I hadn't seen anything that would suggest Mr S had documentary proof that the contract between himself and the dealership had been cancelled because it hadn't been able to fulfil the contract. So, although Barclays Bank had made an error in the way it had handled the claim, I couldn't reasonably say this had had an impact on the outcome of Mr S's claim.

In light of that, while I appreciated this would be very disappointing to Mr S, I couldn't reasonably say that Barclays Bank should pay Mr S compensation for the way it had handled his chargeback claim. Its handling of the matter hasn't resulted in a financial loss for him. I also didn't think I could reasonably say its handling of the chargeback claim had caused Mr S any unnecessary distress and inconvenience. It had raised the claim and sought pre-arbitration following the dealership's response using the information he had provided, there wasn't anything new to add to it.

I'd also seen that Barclays Bank had, very fairly, said that if Mr S could provide evidence that this contract had been cancelled with the dealership because it couldn't deliver the car then it would consider his claim for reimbursement outside of the chargeback process. I thought that was a reasonable offer when looking at the circumstances of Mr S's complaint and I didn't intend to ask it to do more.

So, while I appreciated the disappointment this would cause Mr S, I wasn't intending to uphold his complaint. I thought Barclays Bank had acted fairly and reasonable in dealing with his chargeback claim and its error in not seeking further evidence from him hadn't altered the outcome.

Barclays Bank has agreed with my provisional decision, but Mr S has disagreed. He says the dealership craftily cancelled the agreement and didn't put anything into writing. Mr S confirms he has no other documentation to offer. He is disappointed not to receive the £100 compensation our investigator had recommended.

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 can understand Mr S's confusion that I didn't agree with our investigator's view that he should receive £100 compensation in respect of Barclays Bank's handling of his chargeback. But to be satisfied that Barclays Bank should pay Mr S for its error in not following the process for pre-arbitration, I would need to be able to reasonably say this error had resulted in a detriment to him. Looking at the evidence that has been provided I'm not able to reach that conclusion.

As I set out above, I don't know what was discussed between Mr S and the dealership about this agreement and the cars, but I'm not looking at the dealership's actions here, my remit is to look at Barclays Bank's handling of his chargeback claim. And a chargeback claim requires documentary evidence in support. I'd seen that the dealership had defended the claim. As it said the car had been delivered, Mr S needed to be able to corroborate his version that the agreement had been cancelled because the merchant wasn't able to fulfil the contract. I've seen that he isn't able to do that.

So, although Barclays Bank accepts it erred by not going back to Mr S when the chargeback

claim was defended to see if he had any further evidence, because there wasn't anything else he could provide, I am still satisfied that the outcome of the pre-arbitration would have been the same. This mistake by the bank didn't have an impact on the chargeback claim being declined.

Since the outcome would have been the same, I don't think it's reasonable or fair to ask Barclays Bank to pay Mr S compensation for its handling of the claim. Mr S would have been in the same position regarding the deposit for the car even if Barclays Bank had come back to him before the pre-arbitration decision.

I also still think that Barclays Bank's offer to review Mr S's chargeback claim outside of the process should he be able to provide further evidence is fair.

I'm sorry that Mr S has found the loss of his deposit and the declining of his chargeback claim frustrating and upsetting as well as experiencing the financial loss. But although Barclays Bank didn't handle his claim by strictly applying the process the bank itself didn't cause him a financial loss.

For the reasons set out above I'm not upholding Mr S's complaint

My final decision

As set out in the reasons above I'm not upholding Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 11 March 2024.

Jocelyn Griffith
Ombudsman