

The complaint

A company which I'll call 'H' complains that Elavon Financial Services Designated Activity Company caused them a financial loss when they were unable to take certain card payments for several weeks.

The complaint is brought on H's behalf by one of their directors, Mr S.

What happened

For ease of understanding I've set out a list of the parties involved in the complaint as follows:

- H – the complainant company
- Elavon – The merchant services provider responsible for processing transactions on H's behalf.
- T – the account manager and service provider of the actual card terminal.

H told us:

- They had agreements with Elavon and T since 2019 to provide merchant services so they could take card and online payments. On 14 October 2022, suddenly all MasterCard payments made through their website couldn't be authorised due to 3DS authentication issues.
- They called T who said that it had changed some settings on its online portal. They changed the settings back, but this didn't resolve the issue. On 28 October, T suggested changing to a new merchant service provider instead of Elavon, but this still didn't resolve the issue and they still couldn't take MasterCard payments.
- On 31 October, one of their director's went to T's office to request that the issue was resolved as a matter of urgency and the issue was resolved the following day. However, neither Elavon or T would accept responsibility for what had happened and the losses they'd been caused.
- Over the 18 days that they hadn't been able to take MasterCard payments, 70 customers had been affected. They'd managed to contact all the customers but 11 of them didn't want to proceed due to the issues they'd experienced. This meant a loss of revenue of £10,260.23 based on what the customers had been paying for.
- They'd also incurred losses from the time taken to contact customers and calls made. Mr S had made 57 calls which had taken around 19 hours and the sales team had made 302 calls which had taken around 10 hours. Along with the taxi costs of £93.75, using the hourly rates for their staff, this equated to another £729.85.

- They'd complained to both Elavon, and T. T had offered £1,000 as a gesture of goodwill and Elavon had also paid them £1,000 without them accepting it. However, they didn't think this was enough and they wanted Elavon to refund the full loss they'd incurred of £10,990.08.

Elavon told us:

- It doesn't provide the online payment gateway for H's payments - it only processes the transactions through their terminal in line with the card scheme rules. T provides the online payment service provider ('PSP') gateway.
- H's account was set up initially in April 2019 with a PSP provider which I'll call PSP(I). In August 2022, it received a request to add a new PSP(C) to the company's account. In September 2022, it received a bulk registration request from PSP(I), which had included H's merchant account. In error, it didn't check if this was a duplicate registration and H's account was reset for MasterCard 3DS.
- It subsequently identified the issue with H's duplicate account and reversed the September registration. However, due to a further error, it also reversed the registration for PSP(C) that had been applied in August 2022. This meant the only way H could take payments through Mastercard would have been through PSP(I).
- Between 18 October and 28 October, there were discussions with T about which PSP account should be registered. This was confirmed on 28 October and PSP(C) was reactivated by 2 November. This has also been confirmed with PSP(C) and T.
- It apologised for the inconvenience caused and paid £1,000 compensation for the inconvenience caused. However, it had acted in line with its terms and conditions and legal obligations. It had also suggested H raise a complaint with T directly for the issues they'd experienced.

Our investigator recommended the complaint be upheld. She said it was difficult to say whether it was Elavon or T that was responsible for the technical issue with H's account, but it was clear the company had been caused inconvenience. She wasn't persuaded by all the losses H said incurred as they'd been able to contact customers, and some had made payments using other methods. But she thought that due to the level of inconvenience caused to H over a period of several weeks, Elavon should increase the compensation paid to £2,000.

Elavon agreed and paid H the additional £1,000, but H didn't agree. They said that if their customers had input their card details, they were intending to make a purchase and therefore, this was a loss. So, they asked for an ombudsman to review their complaint and the case was passed to me to decide.

I issued a provisional decision on 22 February 2024. I said the following:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so I've decided to uphold it, I'll explain why.

Both parties now agree with the circumstances that lead to H's complaint, in that Elavon is responsible for H's loss as it didn't identify that a duplicate request was raised for H's merchant service account by a new PSP, which was then reversed along with H's original active PSP on their account in error. As that's not in dispute

here, I'll focus on the how Elavon needs to put things right. I can see Elavon has paid £2,000 compensation for the inconvenience caused (£1,000 before the complaint was brought to this service and a further £1,000 which was recommended by our investigator), but I don't think that's enough.

H says that they were caused a financial loss and caused inconvenience when they couldn't take MasterCard payments as expected. They say that their financial loss equated to a loss of revenue of £10,260.23 which they wanted refunded in full. However, I'm not persuaded that H actually suffered the whole of the losses it claims to have suffered. I say this because, H would still have the goods available that they weren't able to sell to these 11 customers, which the £10,260.23 doesn't take into consideration.

Furthermore, H has shown that its actual profit on those sales would actually have been £3,225.94 and that on average for those items, its profit margin was around 31%. I find this evidence persuasive, so I think this is the amount H should be compensated for, as this is the loss of profit on the sales they would have made. H has also told us that their sales staff had to spend significant time calling customers to recover these sales, rather than generating new leads and customers at a key time for flooring sales. I find H's evidence relating to the sales staff persuasive so I think it's reasonable that Elavon should also cover the £191 roughly which H says they lost.

I've seen that H did try to mitigate their losses as their sales team contacted all the customers who had been affected, and were able to take alternative payments for a large number of customers. I recognise that H says as a result of Elavon's error, their staff and director had spent many hours trying to resolve this issue. However, our service doesn't usually award compensation for inconvenience based on an hourly rate, we look at the overall impact on a complainant.

I recognise that Mr S says that this issue took place during H's peak sales season so this would likely have affected calling potential customers. I also acknowledge that he says a lot of the calls he made were at times he shouldn't have been working, and therefore this impacted his personal life instead. As H is the eligible complainant here, I can't take the impact on Mr S personally into consideration.

However, H has shown that it was caused inconvenience through its directors having to take time away from the business to travel to T's office, the costs involved from this and from the calls they needed to make about this error. So, I think that Elavon should pay H compensation for the inconvenience caused and I think £300 is fair based on the circumstances of the complaint.

It's likely that Mr S will be disappointed by my decision as I understand that he wanted a full refund of all the costs he says were incurred and the loss of profit. However, I'm not persuaded this is reasonable and I think that Elavon should refund H £3,225.94 for the loss of profit they've evidenced less the £2,000 they have already paid, plus £191 for costs incurred from staff calling customers to recover the sales from the rejected MasterCard payments. I also think Elavon should pay £300 compensation for the inconvenience caused.

I invited H and Elavon to give me any more evidence and information they wanted me to consider before issuing my final decision. H and Elavon both accepted the decision and had nothing further to add.

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.

Having done so, as both H and Elavon responded to say they accepted the decision and had nothing further to add, I see no reason to reach a different conclusion. So, this final decision confirms the findings set out in my provisional decision.

My final decision

My final decision is that I uphold this complaint. I instruct Elavon Financial Services Designated Activity Company to:

- Refund H £3,416.94 for the financial loss, less the £2,000 already paid.
- Pay H a further £300 compensation for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 4 April 2024.

Jenny Lomax
Ombudsman