

## **The complaint**

A company, which I'll refer to as T, is unhappy that a chargeback was raised against it after a 'Customer Not Present' (CNP) transaction it accepted turned out to be fraudulent. T says WorldPay (UK) Limited treated it unfairly by failing to properly defend it against the chargeback, despite being provided with compelling evidence to be able to do so.

In bringing this complaint, T is represented by its director who I'll refer to as Ms S.

## **What happened**

The facts of this case are not in dispute. So, I will only summarise them briefly.

- WorldPay acts as T's merchant acquirer.
- In September 2020, T entered into a Merchant Services Agreement (the Agreement) with WorldPay in order to facilitate card payments from its customers
- On 18 April 2024, T accepted a card payment for £429.99 for the sale of a mobile phone.
- The transaction was processed as a CNP transaction.
- Unfortunately, the transaction turned out to be fraudulent. And it was subsequently disputed by the genuine cardholder who said they neither authorised nor carried out the transaction.
- On 26 April 2024, WorldPay wrote to T to alert it of the position. However, they told T they could attempt to defend the chargeback if provided with copies of all the information T held regarding the transaction.
- In the event, WorldPay attempted to defend the chargeback on the basis of the evidence they received from T. But WorldPay's challenge was unsuccessful. And so, WorldPay told T that the chargeback would stand and therefore the £429.99 would in turn be returned to the cardholder. Believing this to be unfair, on T's behalf Ms S complained to WorldPay.

Ms S told WorldPay that:

- In order to defend the chargeback, she'd provided compelling evidence to them including email correspondence with the purchaser, a copy of their driving licence and proof of delivery of the phone.
- Prior to dispatching the phone, she took appropriate precautionary steps – including engagement with the purchaser and verifying the order details.

- The payment was authorised by WorldPay despite giving them explicit instructions to automatically decline transactions when customers do not use 3D Secure, given that this helps to prevent on-line fraud and financial loss.
- So, WorldPay should be held liable for the chargeback, and they should return the £429.99 to T.

But WorldPay didn't think they'd done anything wrong. And since the complaint couldn't be resolved between the parties, on T's behalf, Ms S referred it to this service to look into.

Our investigator did so. But she didn't think WorldPay had made any errors. On that basis she didn't uphold the complaint. In summary, she gave the following reasons:

- She'd determined the complaint on the basis of WorldPay's actions in defending the chargeback. In particular, whether their action led to the loss and/or additional difficulty for T.
- WorldPay did attempt to defend the chargeback. But the card issuer maintained that the cardholder denied ever having authorised or participated in the transaction. And as the card issuer sided with the cardholder and requested the funds to be returned, WorldPay had no option but to chargeback the transaction value to T. Ultimately that meant debiting the £429.99 from T's account in line with the Agreement.
- In acting the way that they did, WorldPay followed the relevant card scheme rules. And they did nothing wrong when they also recovered the chargeback claim fee from T as this was in accordance with the Agreement.
- As this was a CNP transaction, it carried a high degree of risk which T was warned about in Clause 3.2.4 of the Customer Operating Instructions (COI) which said 'CNP transactions' are considered high-risk.

T didn't accept the investigator's conclusions, and, on its behalf, Ms S has expanded on some of the arguments she originally made to WorldPay – which I summarise:

- WorldPay have exposed T to fraud as they've not prevented the transaction from being made. They did not enforce 3D secure and therefore exposed T to financial fraud. This lapse in security and WorldPay's inadequate representation when defending the chargeback – despite being provided with compelling evidence - means they should bear responsibility for T's financial loss.
- There's a loophole in WorldPay's payment gateway which fraudsters are able to exploit as has happened in T's case.
- It was only after carrying out her own due diligence – including verifying the address details and obtaining identification, that the phone was sent to the purchaser. And all that evidence was submitted to WorldPay, but they ignored everything and ruled in the cardholder's favour.

We asked WorldPay to comment on T's representation concerning what it regarded as WorldPay's 3D secure obligations. Including Ms S' submission that WorldPay had been instructed to decline transactions where customers omitted to use 3D Secure.

WorldPay said:

*“WorldPay does not provide any kind of payment monitoring or fraud monitoring services to this Merchant and perhaps more importantly, it holds no obligation to do so whatsoever under the terms of the contract. Additionally, the Merchant is not able to instruct Worldpay to prevent authorised payments from processing in the absence of 3DSecure security results. This is not a service we provide.”*

Furthermore, they also commented that T has misunderstood WorldPay’s role, when it suggested WorldPay “went ahead and allowed the transaction by authorising it.”

WorldPay said they do not authorise transactions, as that’s the role of the card issuer relative to the payment details submitted. Rather, their role is to provide services to the Merchant – T, which allows it to accept card payments.

### **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.

Where the evidence is incomplete or inconclusive (as indeed some of it is here) I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in light of the available evidence and the wider circumstances.

To begin with and by way of context, it’s perhaps worthwhile explaining what a chargeback is and how it operates.

A chargeback is the reversal of a previously cleared transaction. It is a process by which some disputes are resolved between card issuers and merchants under the relevant Card Scheme rules.

It’s important to note, however, that the decision whether or not to approve chargeback claims is for the Card Scheme to make and I’m unable to consider whether that decision is wrong or right.

And in the circumstances of this case, it is also important to note that WorldPay doesn’t operate the Card Scheme or decide the success or otherwise of the chargeback. Put another way, WorldPay is not responsible for the outcome of the chargeback.

The validity of such claims and the outcome are decided by the relevant Card Scheme – in this case Visa, which WorldPay doesn’t operate. I do not find therefore, that in the circumstances of this case, WorldPay made any ruling in favour of the cardholder as Ms S has argued.

WorldPay have a specific role, in the circumstances where a chargeback is raised. And that is only to decide whether or not to defend it. And if they elect to defend the chargeback, as occurred here, they are obliged to represent T as fairly as possible. This includes providing the card issuer with all supporting evidence obtained from T in its defence.

Against that background, the question for me to decide is whether WorldPay handled the chargeback request against T appropriately.

It’s not in dispute that WorldPay contacted T and gave it the opportunity to provide its defence to the chargeback.

When WorldPay received T's documentation, on its behalf they attempted to defend the chargeback with the card issuing bank. I've found no evidence indicating this was done unfairly or unreasonably.

But a defence of this nature is always an extremely difficult undertaking where fraudulent transactions are at the heart of the issue. In particular, where the cardholder has said they were not responsible for carrying out the transaction. That was at the heart of the card issuer's position when it declined to accept T's evidence. Despite the evidence WorldPay submitted they didn't think it sufficiently demonstrated that the transaction was indeed carried out or authorised by their cardholder.

#### *wider issues*

I'm aware an important part of T's case is that before the phone was dispatched it took all necessary precautions in an attempt to ensure the transaction was genuine and not fraudulent. And I sympathise with T's reasonable conclusion that what subsequently occurred was not its fault. But I'm not persuaded it was WorldPay's fault either.

I think it's reasonable to conclude that having signed the Agreement in 2020, the terms of which made reference to the COI, Ms S was aware or at least ought reasonably to have been aware that CNP transactions were highly risky and not guaranteed.

I know Ms S believes WorldPay failed to protect it from the fraud that occurred. But it's WorldPay's case it did not provide T with any payment or fraud monitoring services. I agree. Having seen a copy of the Agreement and the terms and conditions as well as the COI to which T agreed to be bound, in neither have I been able to find any undertaking by WorldPay of the type Ms S believes they should have discharged on behalf of T. Including ensuring customer compliance with 3DSecure. And neither have I been presented with any evidence from T demonstrating there were flaws in the payment facility provided by WorldPay which in turn enabled the fraudulent transaction to take place.

Chargebacks are an unfortunate but inevitable consequence of on-line transactions. And my focus here is to determine whether or not WorldPay acted appropriately in the circumstances of this case. In particular, in light of their obligations which I've referred to above, as well as those under the Agreement. Having done so, it's difficult for me to conclude WorldPay did anything wrong and should assume responsibility for the unfortunate loss T has sustained.

I appreciate that T will be disappointed with that conclusion and what ultimately it means for the outcome of its case. And I understand and sympathise with what T has been through, particularly as the CNP transactions turned out to be fraudulent.

However, having carefully considered the evidence I've seen from both parties, I'm satisfied WorldPay have acted correctly within the Card Scheme rules to which they're bound, as well as the terms and conditions of the Agreement.

I note within the terms and conditions of the Agreement there is a specific section under 'Chargebacks' that explains that T is fully liable for any transaction that was returned to WorldPay – including chargebacks. And, moreover, that the amount of any chargeback would immediately be repayable to WorldPay.

What that means is that I'm unable to conclude that WorldPay have treated T unfairly in recovering from it the full amount of the transaction that was charged back as well as the chargeback fee. In the circumstances of this case therefore, since I do not find by their actions WorldPay have treated T unfairly, I won't be asking them to take any further action

**My final decision**

For the reasons given above, my final decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 23 October 2024.

Asher Gordon  
**Ombudsman**