

The complaint

D, a limited company, complains that Starling Bank Limited made errors in dealing with its chargeback requests leading to financial loss.

What happened

D made two card refund requests to Starling Bank. D had purchased tiles for £1,165.12 from one merchant and said that these were defective and should be refunded. And it had purchased decking boards from a second merchant. It says it had returned 53 boards it didn't need and that it wasn't offered the full refund of £1,183.13 that it was due but instead received £1,116.

Starling Bank said that it had provided D with a temporary refund for the tiles when it raised a chargeback. But it said that the chargeback was challenged by the merchant. And that the chargeback was declined due to information in the merchant's terms and conditions that stated that tiles aren't refundable and as D had accepted the goods and didn't inspect them on delivery. It said that the fact that D didn't provide an independent report wasn't the reason for the dispute being rejected even though it had earlier told D that it was. Starling Bank said that when raising the dispute about the refund for the decking it had asked D to show that it had returned 53 boards and not 50 as the merchant claimed. The evidence D provided it said wasn't sufficient. And had it raised the claim for 53 boards, and this had failed then D would have received nothing. Starling Bank paid D £200 in compensation to reflect the incorrect information given before about the tile payment chargeback.

Our investigator didn't recommend that Starling Bank do anything more. She said that these payments were made by card and didn't involve credit. The only option for a refund to be attempted by Starling Bank in these circumstances was through the voluntary industry chargeback scheme and which didn't provide any legal rights for D. Chargebacks must be made within the rules of the relevant card scheme.

The chargeback request for the tiles was made using the reason that the goods weren't as described or defective. Our investigator had reviewed the terms and conditions of the merchant and said that these stated that although refunds of tiles weren't generally permitted there was a 48-hour inspection period to report damage.

D said it had been told by Starling Bank an independent report wasn't required. But it had obtained a report from its builder. And she considered whether had this been submitted it would have made a difference to the chargeback.

Our investigator said that she didn't think that D had established that the tiles were faulty due to a manufacturing issue. And the liability for damage linked to installation was excluded by the merchant in its terms and conditions. D had said that tiles had cracked further when its builder had installed them. But the builder hadn't established the cause of any damage and cracking and that this wasn't the result of the way the tiles were handled.

Our investigator said that the evidence showed that the merchant involved with the decking purchase had only agreed a refund for 50 boards. And Starling Bank hadn't been incorrect in

submitting a chargeback request under the category of refund not provided for this amount. A refund for 53 boards wouldn't have been successful.

D didn't agree and wanted the complaint to be reviewed. It said that Starling Bank ought to have been clear what it needed to raise the dispute about the tiles. It had requested an independent report and then said it wasn't required. And D wanted to see the decision made about this as part of the chargeback scheme. It wanted an ombudsman to review the case.

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.

Our investigator has set out the scope of the chargeback scheme and there is no guarantee of refund. We'd generally expect a chargeback initially to be raised about a dispute that met the rules of the relevant scheme. Disputes can generally then be dealt with by the related exchange of information between the parties including a response from the merchant. But if that's not possible the card scheme can itself be asked to make an arbitration on a chargeback. I'll set out my assessment of whether there were process failings by Starling Bank and if so the result for D was affected.

The tiles

I note that the tiles were delivered to D on 6 September 2023. The information provided from D shows that it emailed the merchant at 00:55 on 29 September 2023 and said it needed to return some of the tiles and asked could it do so to any store. At 08:59 the merchant responded to say that tiles aren't refundable. D responded at 09:04 by email to say that the store involved had told D that it could over order and have a return. And that a 'vast number are actually damaged' and this was reported to the store 'within a few days' and the store said D could return them. D was asked to send images of the damaged packs to the merchant on 2 October 2023. And on 4 and 5 October 2023 stated that multiple packs were scratched so it had 'not bothered opening the second pallet'. D went on to say that it had reported this to the store 'within a couple of days of delivery' and that the store would 'organise a return' but this hadn't been done. D complained to the merchant and told it that it was asking Starling Bank to raise a chargeback.

Starling Bank had originally said to D that it wanted an independent report setting out the condition of the goods. D had said it didn't want to provide this as it didn't know where to get this from and due to the cost. And on 26 October 2023 Starling Bank wrote to D to say that although an independent report can make higher value claims stronger it wasn't a 'requirement'. Starling Bank raised the request and made a temporary refund. On 16 January 2024 it wrote to D to say that the merchant had challenged the refund stating that the goods were delivered successfully, and items were non-refundable. D made further comments and said that it had contacted the store 'the day after delivery and who said the tiles could be refunded' and these were put forward by Starling Bank.

D has asked some specific questions about the process which I'm going to clarify here. Starling Bank has explained to this service that this chargeback was as a result of D's further comments escalated to a point at which the relevant card scheme, the ultimate arbitrator where required on a dispute, reviewed the position. And the card scheme responded to say that the chargeback wasn't going to be accepted based on the reasons that the goods were accepted in good condition with a signed proof on delivery and as per the terms and conditions weren't refundable. Starling Bank closed the claim at that point and re-debited the charge.

I think Starling Bank had set out what could assist with the claim and that it wasn't essential to have an independent report. It was a matter for D to decide what information to provide to support its case and it didn't provide an independent report for submission during the process. But given the reasons above I can see why Starling Bank has now said that an independent report wouldn't make a difference.

As our investigator says there was a 48-hour inspection period referred to in the terms and conditions. The merchant effectively disputed that D raised a claim within the appropriate time and said that D accepted and signed for the goods. I've referred to the written correspondence from D about the claim to the merchant. And the card scheme had the information submitted when it reviewed the claim. Given this I'm not going to go on and consider the actual evidence of damage or the builder's report save to say that I likely wouldn't have disagreed with what our investigator has said about what that did or didn't establish had I done so.

The issue is whether Starling Bank made an error or acted unreasonably. I note that Starling Bank put forward the chargeback case for D on two occasions. And that's despite on the second occasion there being no real further evidence to support what D said. It received an opinion from the card scheme. While technically that could be challenged further there was no new information to do so or reason to think the outcome from the card scheme could then be different. So, I don't think Starling Bank acted unreasonably in ending the claim there.

Starling Bank accepted it had provided conflicting information about why the chargeback hadn't been successful relating to an independent report and paid D £200 of compensation which I think is reasonable.

The decking boards

I note from correspondence provided by D that it had initially said to the merchant that 60 decking boards had been returned by courier. The merchant had said that there had been 50 received. And that as these were dirty and had to be cleaned there would initially be a handling charge as only 45 were resaleable. But it then had agreed to refund all 50. D provided a photograph showing what it counted as 53 boards returned and with 3 offcuts on the top. So, it wanted the full refund for 53 boards.

I can see that Starling Bank asked D to evidence that it had returned 53. And D said that it wasn't then able to obtain the paperwork from the courier which was failing to provide this. Starling Bank said that if it raised a claim for 53 boards and the merchant showed it had only received 50 then the full chargeback claim would fail. Starling Bank took the decision to raise the claim for 50 on the evidence it had, and this was successful. I'm not persuaded it acted unreasonably in doing so taking into account that it didn't think there was compelling evidence to show that the merchant had received 53 boards. And given what was at stake for D.

In summary I don't find that Starling Bank made a mistake in processing these chargebacks and that it was as a result responsible for a financial loss for D. Its communication about the outcome could have been clearer and it's apologised for that and paid compensation. I won't be requiring it to do anything further.

My final decision

My decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 25 October 2024.

Michael Crewe
Ombudsman