



## Case study: Banking/Credit

### SECTION 75 CCA PROTECTION ON CREDIT CARDS AND THE VISA CHARGEBACK SCHEME

Themes: UK CCA section 75 protection for breach of contract, chargebacks on credit and debit cards, applicable time limits

The complaint relates to the implications of the choice of payment type and a delay in raising the complaint on the customer's ability to recover payment made for a purchase from a firm that subsequently went bankrupt.

The complainant ordered a wedding dress from a Parisian wedding dress designer. However, the company went bankrupt before the dress could be delivered.

Because the complainant used her debit card, she was not automatically protected by Section 75 of the UK's Consumer Credit Act (CCA) which allows customers to request a reimbursement from their bank of eligible credit card purchases if a breach of contact has been made by the retailer.

However, some debit cards are protected by the Visa chargeback scheme if the bank subscribes to it. A chargeback is a reversal of a transaction with the merchant in accordance with the payment scheme rules. In this case, her bank subscribed to this protection for customer purchases made with its Visa debit cards so the issue then became whether a chargeback would be possible under the Visa payment scheme rules.

Visa sets different time limits depending on the circumstances of the chargeback. The complainant's case fell under 13.1 of the Visa rules, which is 'Services Not Provided or Merchandise Not Received'. In these cases, there is a 120-day time limit which does not necessarily begin from the date of the original transaction, but may occur within the following two-time limits:

- 120 calendar days from the last date the cardholder expected to receive merchandise or services.
- 120 calendar days from the date the cardholder was told that the merchandise or services won't be provided.

Both of these 120 calendar day time limits are overruled by an overall 540-day maximum which runs from the date of the original transaction. The complainant bought the dress in December 2015 which would mean that she had until June 2017 to initiate the chargeback. However, the complainant made the request on 6<sup>th</sup> June 2018 which was out of time under the Visa rules. As a result, the bank could no longer initiate a chargeback on behalf of its customer.

CIFO therefore concluded the bank has made no error and did not have to reimburse the complainant for the cost of the undelivered dress.