

The complaint

Miss R has complained about how HSBC UK Bank Plc dealt with her claim for money back in relation to a purchase she'd made on her debit card.

What happened

The circumstances of the complaint are well known so I'm not going to go over everything again in detail. But to summarise, Miss R paid £8,640 to a supplier I'll call "S" in 2022 for new windows and doors. She made a payment of £860 in March 2022, and £7,780 in August 2022, both with her HSBC debit card.

Miss R said she noticed various problems with the installation and tried to sort things out direct with S but says this wasn't successful. Miss R said she contacted HSBC in October 2022 to ask it to raise a chargeback. She said HSBC told her she needed to obtain an independent report on the work carried out. I understand she arranged one at a cost of £440 in December 2022. She received the report the following month. Miss R said HSBC made various mistakes in handling the claim. Correspondence either wasn't received or had to be sent several times. I understand HSBC told Miss R the chargeback had failed for various reasons, but one was never raised. Miss R complained.

HSBC's final response set out there are dispute conditions as part of the chargeback process that are set by the relevant card scheme. It said Miss R was required to evidence either the goods had been returned or that she'd attempted to return them. HSBC said Miss R had told it the goods couldn't be removed and returned because she'd had additional rendering done. So it said on that basis the chargeback would have been unsuccessful. It also noted Miss R had said she'd since sold the property so there was no further opportunity for the goods to be returned. Moreover, HSBC said it only had 120 days to raise the chargeback and it apologised it didn't make Miss R aware. To resolve things, HSBC offered to cover the cost of the report (£440) and pay compensation of £560, bringing the payment to £1,000.

Miss R didn't agree and referred her complaint to the Financial Ombudsman. She thought HSBC's answer was unfair. She said the matter should've been resolved before she moved home. She said she would only accept a refund of everything paid on her card, which was around £8,600, along with a refund for the independent report. She also requested compensation.

Our investigator looked into things and said he didn't think HSBC should've insisted Miss R obtain an independent report. He thought HSBC should have raised the chargeback sooner based on the evidence Miss R had submitted. He said HSBC told Miss R that if it raised a chargeback it would look to retrieve a sufficient amount to put things right, rather than seek the whole refund. Our investigator also said he didn't receive sufficient information from Miss R to calculate redress, and that the issue with the windows and doors wasn't picked up during the sale of the house. He said it wasn't clear Miss R had suffered a financial loss. To resolve things, he thought the compensation should be increased to £750 and Miss R should be reimbursed for the independent report cost. He said the compensation should be increased because of the impact on Miss R of the errors in the way the claim was handled.

HSBC broadly agreed. Miss R didn't agree. She said the chargeback should have been an open and shut case and she requested again a full refund. As things weren't resolved, the complaint has been passed to me to decide.

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 want to acknowledge I've summarised the events of the complaint. I don't intend any discourtesy by this – it just reflects the informal nature of our service. I'm required to decide matters quickly and with minimum formality. But I want to assure Miss R and HSBC that I've reviewed everything on file. And if I don't comment on something, it's not because I haven't considered it. It's because I've concentrated on what I think are the key issues. Our powers allow me to do this.

What I need to consider is whether HSBC – as a provider of financial services – has acted fairly and reasonably in the way it handled Miss R's request for getting money back. It's important to note HSBC isn't the supplier. I've gone on to think about the specific card protections that are available. In situations like this, HSBC can consider raising a chargeback.

The chargeback process provides a way for a card issuer to ask for a payment to be refunded in certain circumstances. The chargeback process is subject to rules made by the relevant card scheme. It's not a guaranteed way of getting money back.

While it's good practice for a card issuer to attempt to chargeback where certain conditions are met and there's some prospect of success, there are grounds or dispute conditions set by the relevant card scheme that need to be considered. If these are not met, a chargeback is unlikely to succeed. And something going wrong with a merchant won't always lead to a successful claim.

It's not in dispute mistakes were made by HSBC in the handling of the chargeback claim. It didn't raise the dispute due to an error. I'll come back to the impact of that on Miss R later. But I think it's important to note that just because Miss R has a report saying there are problems with the installation it doesn't mean that a chargeback for the whole cost of the installation would have had a reasonable prospect of success. Given Miss R had the services carried out and the goods installed it's unlikely that would have been successful.

On the one hand, Miss R has shown us the services from S weren't carried out with reasonable care and skill. The report she had arranged set out that the installation wasn't carried out to an acceptable standard, and that it didn't comply with all the relevant regulations. It said the survey wasn't carried out properly, and it gave a list of 10 things needed to be done to put things right.

There's an argument that had the chargeback been raised on time, and for a fair amount, there might've been grounds for Miss R to claim back the cost for carrying out the 10 things highlighted on the report, and Miss R would have had the sum to carry out the works. As I said above, chargeback isn't a guaranteed way to receive a refund. There are strict conditions that need to be met – not set by HSBC, but by the relevant card scheme. It's also not a legal right like it would have been if the claim was considered under section 75 of the Consumer Credit Act 1974. Moreover, unfortunately, the report didn't set out the cost of the remedy. And we've not been shown what the cost would have been to put things right. That complicates things. Had HSBC raised a chargeback for the full amount S likely would have

had a valid defence that a full refund wasn't reasonable given the service and goods had been provided, albeit repeat performance was required.

I'm also conscious chargeback isn't in place to claim compensation. And it wouldn't cover consequential losses. Where goods are involved, those goods would need to be returned for a full refund. So had Miss R claimed back the whole amount paid under her card, she would have also been required to hand back the goods. And she'd have been left in a position where she'd have lost out because of the cost of the other work including rendering she'd have to get done again. And of course, she'd need to have paid for new windows and doors. She wouldn't have been able to claim for those other costs through chargeback. I can't see there would have been a situation where she would've had a successful claim resulting in a full refund and been able to keep the goods.

Matters have been complicated further by Miss R selling the property. Even if the chargeback could have been raised after she moved, she wouldn't have been able to return the goods and request a full refund. She also can't now repair them. She's not shown us she suffered any loss when selling the property due to the issues with the windows and doors. So I agree with our investigator that I don't have the grounds to direct HSBC to reimburse Miss R something, because she's not shown us where she's lost out financially due to the way it handled the claim (other than through the independent report). Therefore, I'm not going to be directing HSBC to refund Miss R anything she'd paid towards the windows and doors.

HSBC has agreed to reimburse Miss R the cost of the report she had carried out. I think that's fair.

The only other thing left to decide is the compensation amount. HSBC has agreed to our investigator's recommendation of £750. There's information on our website about awards for distress and inconvenience. The amount that's been recommended is in line with what is recommended where the impact of a mistake has caused considerable distress, upset and worry. And it's recognised Miss R has been put to a lot of extra effort to sort things out. No amount of money is going to change what's happened. But I'm satisfied the overall award that's been recommended adequately recognises the impact HSBC's handling has had on her. I'm not going to direct it to do more.

My final decision

My final decision is that I uphold this complaint and, to the extent it's not done so already, direct HSBC UK Bank Plc to:

- Refund Miss R the cost of the independent report she had carried out, on receipt of evidence. Interest should be added to the above amount at an annual rate of 8% simple, from the date the payment was made to the date of settlement.
- Pay Miss R £750 compensation.

If HSBC considers it is required to deduct tax from my interest award it should provide Miss R a certificate of tax deduction so she may claim a refund from HMRC, if appropriate.

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

Simon Wingfield
Ombudsman