

The complaint

Ms R complains that HSBC UK Bank Plc (“HSBC”) failed to help her claim a refund from a retailer.

What happened

In April 2023, Ms R placed an order with a retailer that I’ll call ‘C’, for a new cooker and a new washer dryer. She paid a total of £908 using her HSBC credit card. The sales receipt from C set out that Ms R paid £419 for the washer dryer, £30 for it to be installed, and £25 for C to remove and recycle her old appliance.

Ms R says the washer dryer was faulty and that C agreed to collect it and refund her £449, which was the cost of the appliance and the installation cost. However, Ms R didn’t receive a refund despite asking C about this on several occasions. So, Ms R asked HSBC for help in reclaiming the money.

HSBC considered raising a chargeback, but ultimately didn’t raise one. They said that Ms R hadn’t provided evidence that C had agreed a refund and the chargeback then fell out of time for them to raise.

Ms R complained to HSBC. She said they had asked for information she had already provided to them and confused her request for a refund with other requests she had made for different orders. HSBC offered Ms R £260 as a gesture of goodwill, and £100 for the inconvenience she’d been caused by her not being able to discuss her dispute with them.

Ms R then referred her complaint to our service. One of our investigators looked into what happened but didn’t recommend that HSBC do anything. She said, in summary, that HSBC had asked for Ms R for relevant information about why the washer dryer had been returned but hadn’t been provided with this. So, she felt HSBC hadn’t acted unfairly by not raising a chargeback and noted that the time limit to raise one had expired. She did though understand why Ms R was unhappy about HSBC’s customer service as they’d used various reference numbers in their correspondence with her as well as referring to different amounts that were being disputed. She felt that HSBC’s total offer of £360 was fair in recognition of this.

Our investigator also noted that C had refunded Ms R with a total of £449 in May 2023 across several transactions and that this was possibly C refunding her for the washer dryer costs, although she couldn’t be sure of this.

Ms R didn’t agree with our investigator’s view. She said the refunds from C in May 2023 were for the cooker, not the washer dryer and included compensation for C’s delivery driver denting her kitchen wall. So, the refund for the washer dryer was still outstanding. And she said that HSBC’s offer of £360 didn’t fairly compensate her for the distress she’d been caused by their handling of her dispute, and the time she’d spent trying to speak with HSBC about the matter.

As Ms R’s complaint remains unresolved, it’s 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 that I've summarised the events of the complaint to quite some degree. I don't intend any discourtesy by this – it just reflects the informal nature of our service. But I want to assure Ms 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.

I've looked at the actions of HSBC in dealing with this dispute and whether they acted fairly and reasonably in the way they handled Ms R's request for help in getting the money back for the washer dryer and the installation cost. Here, I note that HSBC considered raising a chargeback but didn't then proceed with this.

In certain circumstances, the chargeback process provides a way for a bank to ask for a payment Ms R made to be refunded. Where applicable, the bank raises a dispute with the supplier, in this case C, and effectively asks for the payment to be returned to the customer. While it's good practice for a bank to attempt a chargeback where the right exists and there is some prospect of success, the circumstances of a dispute means it won't always be appropriate for the bank to raise a chargeback. There are grounds or dispute conditions set by the relevant card scheme and if these aren't met, a chargeback is unlikely to succeed.

When a chargeback is raised, the scheme allows a given period for a supplier to reply to say whether they agree to the refund. And when a supplier defends a chargeback, this can lead to further representations by the cardholder's bank, if it considers the supplier has raised a weak or invalid defence. The process then allows for further representations to be made if the parties still don't agree, and for the card scheme to decide who gets to keep the money.

This means for me to conclude that HSBC did something wrong in Ms R's case, and should do something to put things rights, I'd need to find that they didn't raise a chargeback in circumstances when they should have. This could be, for example, because Ms R's dispute looked to have fit within the card scheme rules. Also, I'd need to find that Ms R lost out as a result, for example, because it's likely the chargeback would have been successful, and she would have recovered her money.

When Ms R asked HSBC to help her with her dispute, she said she'd been promised a refund for the portion of her order with C relating to the washer dryer but hadn't received this. So, Ms R had positioned her dispute as being one which would have fit the chargeback reason code 'credit not processed'.

The scheme rules for 'credit not processed', which here was Mastercard and not VISA as HSBC has incorrectly stated, set out that Ms R needed to send in a description of her complaint 'in sufficient detail to enable all parties to understand the dispute' or documentation from the merchant to support that a credit was due (here, a refund).

From what I've seen, Ms R sent in a cover letter with her chargeback form briefly outlining that she'd been to C's store and spoke to staff who promised a refund. There's very little detail about why C had promised a refund and I note that the only copy letter from C within the chargeback form was them asking Ms R for some details about the order, rather than confirming that a refund was due (and why). And I've not seen any other evidence that Ms R sent to HSBC showing that C had confirmed that a refund was due, or that she was potentially entitled to a refund. It's possible that HSBC could have attempted a chargeback. But the scheme rules did set out the requirements that would enable them to do so. And I'm

afraid I've haven't seen that they were provided with sufficient evidence of this.

I realise that Ms R became increasingly frustrated by HSBC continuing to ask her for details of the dispute. But I think they did so to understand how and why she was potentially entitled to a refund. And it seems that Ms R didn't have anything further to send them beyond what she'd already sent. I do though find that HSBC didn't help matters by being, in my view, rather unclear about which dispute Ms R was referring to when they communicated with her. I've mentioned that they incorrectly said who the applicable card scheme was. And they also in my view took rather a punt in assuming that the transactions in May 2023 related to this dispute, when neither of those equated to any of the figures on the sales invoice relating to the washer dryer. HSBC has offered a total of £360 for this and, while it's not entirely clear why they've offered this sum, it seems to me a reasonable figure for their customer service failings. I say this bearing in mind that it doesn't appear to me that HSBC acted unfairly by not raising a chargeback, for the reasons I've set out above.

I note that HSBC didn't consider a claim for Ms R under section 75 of the Consumer Credit Act 1974 (s.75), and I think that they should have done so when it was clear that the chargeback was no longer able to be raised because the relevant time limits had expired. In brief, s.75 allows Ms R to hold HSBC as creditor equally liable for a breach of contract or misrepresentation by C. But, even though I think HSBC should have considered a claim, I think it unlikely that it would have succeeded when there is, in my view, little evidence to show that Ms R could demonstrate that C breached their contract with her. I say this as I've seen little evidence to show that the washer dryer was defective or that C failed to comply with their terms and conditions about returns of goods.

Overall, I don't think HSBC acted unfairly in relation to the underlying dispute about the goods and any due refund. So, I won't be upholding Ms R's complaint. I do though find that there were failings in HSBC's customer service to her, and that they should pay Ms R £360 for this if they haven't already done so.

My final decision

HSBC has already made an offer to pay Ms R £360 to settle the complaint and I think this offer is fair in all the circumstances.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 19 November 2024.

Daniel Picken
Ombudsman