

## **The complaint**

Mr E and Mrs E complain that HSBC UK Bank Plc hasn't refunded them in relation to a coat purchased from a retailer which was faulty.

## **What happened**

In November 2021 Mr E purchased a coat from a retailer for £192 using his John Lewis Partnership Card provided via HSBC.

In March 2024 the retailer accepted that the coat was faulty, and Mr E returned it for a refund.

The retailer issued a refund to Mr E's John Lewis Partnership Card on 6 March 2024.

Mr E didn't receive the refund. He queried this with HSBC, who said they had returned it to the retailer.

Mr E contacted the retailer, who said it couldn't see the refund coming back into their account. Mr E went back to HSBC, who said there was nothing further they could do unless the retailer rejected the chargeback.

The retailer subsequently went into administration.

Mr E raised a complaint with HSBC. HSBC didn't uphold the complaint. It said it had returned the refund back to the retailer on 14 March 2024 via the Mastercard system as a chargeback and advised Mr E to speak to the retailer to see if they had received the refund and ask them to refund him again using an alternative method.

Mr E remained unhappy and brought his complaint to this service.

Our investigator upheld the complaint. He said HSBC shouldn't have returned the funds via chargeback and should instead have allocated them to Mr E's account. The investigator said HSBC should refund £192 plus 8% interest and pay compensation of £150.

HSBC didn't agree. It said Mr E's account was no longer on the system, so there was no account to allocate funds to. It said the retailer shouldn't have issued a refund to an inactive account. HSBC said it chose to return the refund via chargeback as it didn't have the resource to contact customers about refunds which had been sent to them.

## **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.

HSBC have provided some background information regarding Mr E's account. It has explained that in 2022, John Lewis parted ways with HSBC and outsourced its credit card to a new provider. This meant that all Partnership Card accounts became inactive on 31 October 2022 and once paid off, the account is removed from HSBC's systems.

I can see that Mr E purchased the coat in 2021 using his John Lewis Partnership Card. The refund was made in 2024, by which time HSBC were no longer the provider of the card. HSBC has said that his meant there was no longer an account to credit the refund to, so it returned the refund to the retailer.

I've thought about whether HSBC treated Mr E fairly when it returned the refund to the retailer.

From Mr E's perspective, the refund was issued back to the same card that he used to purchase the coat. I wouldn't expect Mr E to think that this was anything other than entirely normal. I haven't seen anything to suggest that Mr E was advised by HSBC in 2022 that he shouldn't request refunds back to the account, or that refunds sent to the account post October 2022 might not be received.

Notwithstanding that none of this is Mr E's responsibility, I can see that he contacted the retailer and tried to locate his refund once HSBC had told him that it had been returned. However, the retailer couldn't locate the refund.

My primary view is that HSBC shouldn't have returned the refund in the first place. I think it was foreseeable – when the accounts of all customers holding Partnership Cards became inactive – that refunds would be issued to some of those cards. So I would expect there to have been some process in place to handle refunds made to inactive accounts. HSBC has said that returning the refund via chargeback to the merchants bank has proved to be successful for hundreds of customers so far. However, I'm only able to look at the circumstances of this complaint, and it doesn't appear that the process has been at all successful for Mr E.

If returning the refund via chargeback was the process that HSBC decided upon in 2022, I think it should've done more for customers like Mr E whose refunds went missing. For instance, when Mr E contacted HSBC about his missing refund, I can't see that HSBC offered any assistance or made any attempt to contact the retailers bank and locate the refund for Mr E. This is something I would've expected HSBC to do for Mr E as soon as he explained that the retailer couldn't locate the refund. If HSBC had contacted the retailers bank and instructed that bank to reject the chargeback within 45 days, the refund would've come back to HSBC.

Ultimately, I think this is a situation where HSBC should've done more for Mr E. I'm of the view that HSBC should've refunded Mr E when it received his complaint, and then taken steps to resolve the issue and recover the refund from the retailers bank.

For these reasons I agree with the investigator that HSBC should refund Mr E and pay compensation for the distress and inconvenience caused to him.

### **Putting things right**

To put things right, HSBC UK Bank Plc must refund £192 together with 8% simple interest from the date of payment to the date of settlement. It must also pay compensation of £150 to Mr E for the distress and inconvenience caused.

### **My final decision**

My final decision is that I uphold the complaint. HSBC UK Bank Plc must take the steps I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E and Mrs E to

accept or reject my decision before 26 August 2024.

Emma Davy  
**Ombudsman**