

The complaint

Mr S complains Bank of Scotland plc (trading as Halifax) failed to get him a full refund for a one-night hotel stay he paid for with his credit card.

What happened

Mr S stayed at a hotel (which I'll call "H") on 25 November 2023, and paid £549 for the stay with his Halifax credit card. According to the booking reservation, this covered:

- One night in H's "Executive Superking" room for two adults
- Two 30-minute spa treatments, including full use of H's spa facilities
- A bento box lunch
- Three-course evening dinner
- Breakfast

After using the spa on 25 November 2023, Mr S and his companion (who I'll call "Mrs B") returned to their room to shower but found there was no hot water. H was unable to fix the issue, later discovering it was due to a faulty boiler.

As the problem wasn't resolved in time, Mr S and Mrs B had to attend dinner without showering. Mr S says this left them feeling angry, unclean, and uncomfortable, which ruined their stay.

To put things right, H offered to refund Mr S £50 and waive some drinks from Mr S's bill. Mr S says he rejected the offer, but H refunded him £50 anyway without his consent. H later offered two complimentary spa passes, but Mr S also rejected these. He confirms he never used, and doesn't intend to use, the spa passes.

Mr S complained to Halifax, arguing that the lack of hot water amounted to a breach of contract. Halifax considered his claim under section 75 Consumer Credit Act 1974 (CCA), which can make it responsible for a supplier's breach of contract or misrepresentation.

After investigating, Halifax offered Mr S an additional £100 on top of the £50 already refunded by H. Mr S maintained a full refund was warranted and referred his complaint to the Financial Ombudsman Service.

Our investigator said that because Mr S had the benefit of some of the services offered, a full refund wasn't warranted. She also thought Halifax hadn't acted unfairly by offering £100 to settle the matter. As Mr S disagreed, his complaint has come to me for a decision.

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.

It's important to note that Halifax isn't the supplier of hotel services. So in order to decide if it acted fairly, I need to consider its role as a provider of financial services only. As Mr S used his credit card to pay for the hotel services, I consider the card protections of chargeback

and section 75 CCA to be potentially relevant as to how Halifax could have reasonably assisted Mr S. I've focused on these when determining what's fair and reasonable.

Should Halifax have raised a chargeback?

When someone buys something with their credit card, and something goes wrong, the card issuer can sometimes help them obtain a refund by raising a chargeback on their behalf. There's no obligation for a card issuer to raise a chargeback for a customer – but I'd expect it to do so if a chargeback has reasonable prospects of succeeding. Likewise, I wouldn't expect Halifax to raise a chargeback if it was unlikely to succeed.

The rules governing the chargeback process are set by the relevant card scheme – in this case, that would be Mastercard. These rules set out strict conditions that must be satisfied for a chargeback claim to be successful. I'd expect a card issuer like Halifax to apply the scheme rules correctly and conduct the chargeback process fairly.

Mastercard will only consider certain types of disputes under its chargeback scheme – specifically, those that align with one of Mastercard's "reason codes". The scheme rules that apply depend on what "reason code" the chargeback is raised under.

Halifax didn't raise a chargeback on behalf of Mr S. It's not entirely clear why, but I suspect it's likely Halifax didn't think a chargeback would likely succeed. I say that because it doesn't look like Mr S's dispute circumstances are a good fit for the chargeback process.

The only "reason code" that might have reasonably applied to Mr S's circumstances is the one relating to "Goods or Services Were Either Not as Described or Defective". But having looked at its requirements, I don't think a chargeback would have likely been successful. For example, if a merchant offers to adjust the price of the service or agrees to issue a credit – as H had effectively done here – according to the chargeback conditions it appears unlikely a chargeback can even be raised in the first place. As I don't think a chargeback would have likely succeeded, I don't think Halifax acted unfairly by not raising a chargeback for him.

Notwithstanding the above, I can't see how Mr S has been materially disadvantaged by Halifax considering the claim under section 75 CCA straight away, as the remedies available for breach of contract are wider than what the chargeback process could have offered here.

Does section 75 Consumer Credit Act apply?

If a consumer buys goods or services on credit, section 75 CCA can sometimes make the credit provider equally responsible for a breach of contract or misrepresentation by the supplier. No party has disputed section 75 CCA applies. And I haven't seen anything that makes me think Mr S cannot make a valid claim, so I don't feel I need to expand any further.

The Financial Ombudsman is a fair and informal service, and Halifax can be held liable under section 75 CCA for certain failings by H. As there's an offer on the table, all I'm going to concern myself with is whether that offer fairly remedies any breach of contract.

Was there a breach of contract?

The contract between Mr S and H includes the explicit terms and conditions set out on H's website. However, I don't find those terms helpful as they don't set out any relevant rights, obligations or exclusions relating to the quality issue Mr S complained about.

The contract also includes terms implied into the contract by law. For example – the Consumer Rights Act 2015 (CRA) implies a term into the contract that the services

Mr S paid for are performed with reasonable care and skill. If any weren't, Mr S has a right to ask H to perform any relevant service again to the extent necessary to remedy the issue. Or if that's not possible, he can ask for an appropriate price reduction up to the full amount paid.

Mr S paid a large sum for the hotel and spa package, which included a one-night stay at a four-star hotel. Given what he bought, I think it reasonable for him to expect, at a minimum, that he'd have use of a hot shower in his room. H failed to provide this and couldn't fix the problem. I don't think H exercised reasonable care and skill as it ultimately could not provide the standard of service reasonably expected of it. I consider this a breach of contract.

Mr S said he asked H to remedy the problem by asking for a different hotel room with a working shower. But Mr S said H didn't offer a separate room – possibly because the boiler was faulty that presumably affected all the rooms' showers. As H couldn't fix the hot water problem, I think the fair remedy here is an appropriate price reduction.

What price reduction is appropriate?

The right to a price reduction is set out under section 56 CRA, which states:

“56 Right to price reduction

- (1) The right to a price reduction is the right to require the trader to reduce the price to the consumer by an appropriate amount (including the right to receive a refund for anything already paid above the reduced amount).
- (2) The amount of the reduction may, where appropriate, be the full amount of the price.”

So Mr S isn't automatically entitled to a full price reduction. He's entitled to an “appropriate” price reduction, which depends on how much the breach affected his overall experience.

I've thought carefully about everything Mr S said. I appreciate Mr S feels strongly about what happened, especially as this was a special occasion he and Mrs B had been looking forward to. However, to justify a full refund, I'd have to be satisfied the contractual breach was so significant that he received no meaningful benefit from the services at all. Based on the facts, I don't think that would be a fair conclusion.

That said, I accept that not having a hot shower adversely affected the experience. The package was advertised as a “Relax Spa Package”, meaning its key purpose was enjoyment and relaxation. A hot shower is an important part of that, so I acknowledge that the issue impacted his ability to fully enjoy the spa, dinner, and overall stay.

However, Mr S and Mrs B still had full use of most of the services they paid for, including:

- The spa facilities and treatment
- The meals included in the package
- The room and bed

Although the lack of hot water diminished their enjoyment, I don't believe it was severe enough to justify a larger price reduction than what has effectively been offered.

H refunded Mr S £50 and waived the cost of some drinks. Halifax has also offered an additional £100 refund. Even if I don't consider the waived drinks, Halifax's offer would effectively reduce the amount Mr S paid by more than 25%. In the circumstances, I believe that's an appropriate price reduction for what happened.

Mr S says Halifax hasn't paid him the additional £100 it offered. If that's the case, I think it fair and reasonable for it to do so should Mr S accept my decision.

My final decision

My final decision is that I direct Bank of Scotland plc (trading as Halifax) to pay Mr S the additional £100 it offered, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 21 April 2025.

Alex Watts
Ombudsman