

The complaint

Mr S complains that Sainsbury's Bank Plc won't refund a payment he made using his credit card in connection with the hire of a car.

What happened

In August 2023 Mr S booked a rental car for use while he was on holiday. He paid in advance for the rental and for what was referred to as "full insurance".

When he arrived at the airport and collected the car, Mr S says he was told that he needed additional insurance. He says he declined it, since he already had insurance, which he had paid for in advance when he made the rental booking.

Mr S signed some forms on a digital pad, which he says he was told were to confirm he had taken possession of the car and to allow any excess charges to be taken from his credit card. The forms were printed and, he says, placed in the car. He did not read these at the time, as the car hire company's staff member had explained them to him.

Mr S returned the car a week later without incident.

Shortly after he returned from his holiday, Mr S received notification from the hire company that it had charged him an additional sum of nearly £190 for additional insurance cover and a fee for collecting the car out of hours (Mr S's flight had been delayed). The bank had added a non-sterling transaction fee as well. Mr S complained to the hire company; he said he had not agreed to these charges, but the hire company disputed that and refused to provide a refund.

Mr S contacted Sainsbury's Bank, seeking a refund. The bank noted that Mr S had signed documents authorising the payments. As a result, it said, there were no grounds on which it could properly process a chargeback under the Mastercard scheme.

It later considered whether Mr S had a valid claim under section 75 of the Consumer Credit Act 1974 ("section 75"). It concluded that he did not, but paid Mr S modest compensation in recognition of the delay in reaching that decision.

Mr S referred the matter to this service, where one of our investigators considered what had happened. She did not recommend that the main aspect of Mr S's complaint be upheld, but did recommend that the bank pay Mr S a further £50 in recognition of the delay in considering the section 75 claim.

Neither Sainsbury's Bank nor Mr S accepted the investigator's recommendation, so the case has been passed to me for further consideration.

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.

Chargeback

Where goods or services are paid for with a debit or credit card and a dispute arises, it is often possible to resolve that dispute through the chargeback process. Chargeback is a scheme run by the card schemes (in this case, Mastercard). A card issuer (here, Sainsbury's Bank) raises a claim through the scheme against the merchant's provider of card facilities. That provider will then consider whether the claim meets the relevant criteria for chargeback (if necessary, seeking evidence from the merchant) before responding to the claim. Where necessary, the scheme provides for arbitration between the financial businesses.

Chargeback is however primarily a scheme for resolving disputes about payment settlements – including, for example, where payments are not authorised or are duplicated, or where goods have been paid for but not delivered. It can therefore have the effect in some cases of resolving disputes between merchants and consumers, but it is not always an appropriate or effective mechanism for achieving that aim.

There is no legal or regulatory obligation on a card issuer to pursue a chargeback claim, but this service takes the view that they should do so where there is a reasonable prospect of success.

In this case, Sainsbury's Bank says that it did not raise a chargeback because the evidence showed that Mr S had signed a form authorising the additional payments. In the circumstances, there was no provision in Mastercard's scheme rules that would allow a chargeback.

I accept what the bank has said on this point. On the face of it, Mr S had authorised the payments and had received the services which he paid for. And of course the car hire company had declined his claim, and so would no doubt have challenged a chargeback request as well.

Section 75

One effect of section 75 is that, subject to certain conditions, an individual who uses a credit card to pay for goods or services and who has a claim for breach of contract or misrepresentation against the supplier of those goods or services has a like claim against the credit card provider. The necessary relationships between Sainsbury's Bank, Mr S and the hire company are present in this case, and the transaction falls within the relevant financial parameters. I have therefore considered Mr S's dealings with the hire company.

Mr S has suggested that he did not have a contract with the hire company – or at least not in connection with the additional payment. But if he does not have a contract, he cannot have a claim for breach of it. Nor can he have a claim for contractual misrepresentation, since such a claim can only arise where someone is induced into entering into a contract.

In my view, therefore, a claim under section 75 can only arise if Mr S was misled into buying additional insurance by something he was told. I do not believe however that I can fairly conclude that was the case. Indeed, that is not the case that Mr S has made. He does not say, for example, that he was told he had to have additional cover and that he therefore agreed to buy it; rather, his case is that he didn't know he was buying it. I note too that the additional insurance does appear to cover risks that were not covered by the policy Mr S bought when he booked the car. It is the case as well that the cover was provided.

It is not for me to say whether Mr S does in fact have a claim against the hire company. Nor is it for me to decide whether he has a claim against Sainsbury's Bank under section 75. What I must do is decide what I consider to be a fair resolution of Mr S's complaint about the

bank's to decline his section 75 claim. In the circumstances, however, I think that decision was fair.

Other matters

In truth, I believe that Mr S's complaint is that he was tricked into authorising the hire company to take payments from his card and that, for that reason, the bank should provide a refund. It may well be the case that Mr S was, as he says, misled about what he was signing. But the usual position is that an adult with mental capacity is bound by their signature on a document, whether they have read it or not. In the circumstances here, I think the bank was entitled to take that view and to treat Mr S's signatures as authority for the payments. Mr S has suggested that CCTV coverage of the car hire company would show what happened, but I would not generally expect that level of forensic examination, even if it were available.

Finally, I note that the investigator recommended a small additional payment in recognition of the delay in dealing with the section 75 claim. Where a customer raises a credit card claim based on a breach of contract, I would usually expect a card issuer to consider section 75 without necessarily waiting for the customer to raise it expressly. In this case however – and for the reasons I have explained – I do not believe Mr S's claim was clearly based on an alleged breach of contract on the part of the car hire company. This was not a case where he said he had paid for something but had not received it, for example. In the circumstances, I do not believe that any further compensation is warranted.

My final decision

For these reasons, my final decision is that I do not uphold Mr S's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 30 April 2025.

Mike Ingram

Ombudsman