

The complaint

Mr S complains that HSBC UK Bank Plc (HSBC) didn't agree to a full refund under Section 75 of the Consumer Credit Act 1974 (Section 75), for a faulty car. He's also said HSBC failed to progress the claim in a timely way and made repeated requests for information he had already provided.

What happened

On 26 March 2023 Mr S bought a car using his credit card with HSBC. He paid £12,401 of the £12,500 cash price of the car using his credit card. He made the purchase from a dealer who I'll call V.

Shortly after buying the car Mr S had the car serviced and found there were problems with the vehicle. He attempted to resolve the issues with V. Mr S had a report completed that demonstrated there were issues with the brakes and lights, and he sent this to V on 17 April 2023. He didn't receive a response from V, and I can see he chased them again on 21 April 2023 expressing his dissatisfaction. To resolve things, he wanted V to take the car back or repair it at their cost. As he was unable to resolve things with V and the issues weren't covered under the warranty the vehicle came with, he arranged for the car to be repaired in June 2023. Mr S also contacted HSBC on 01 May 2023 to see if it could help him.

HSBC first considered Mr S' claim under the chargeback process and when this wasn't successful it went on to consider the claim under Section 75. HSBC felt the fair remedy would be to reimburse Mr S for the repair works he'd had carried out.

Mr S was unhappy with this result and asked HSBC to reconsider the claim. HSBC maintained its position on the matter, so Mr S referred the case to this service. One of our investigators considered the case and said that HSBC should reimburse Mr S for the cost of the repair plus 8% simple interest to reflect the length of time he'd been out of pocket. She also said HSBC should pay him £50 compensation to reflect the inconvenience he was caused by the way HSBC handled his Section 75 claim.

Mr S didn't agree with our investigator's view and felt he should be entitled to a full refund of the amount he paid to V. He said the breach of contract was of a nature that meant the only fair resolution was a refund of the full amount. As no agreement could be reached, his complaint has been passed to me for review and 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.

I think it would be helpful for me to be clear here that I am only considering the actions of HSBC in this case, and I can't consider the level of service V provided to Mr S.

Mr S has complained to this service about HSBC's handling of both his chargeback claim and section 75 claim. Another ombudsman has already issued a decision on this services

jurisdiction, and I won't revisit this here, but for the sake of clarity I can only consider HSBC's actions in relation to the Section 75 claim in this decision.

Section 75 Claims

Section 75 makes the provider of credit (HSBC in this case) equally liable where there is a case of misrepresentation or breach of contract by the supplier of goods or services financed by the credit. However, it will only apply when the criteria for a Section 75 claim are met. This includes the need for the cash price of each item disputed to be £100 or more and £30,000 or less. In addition to this there needs to be a direct relationship between the debtor, creditor, and supplier otherwise known as a DCS agreement.

Having considered the evidence available, I'm satisfied Mr S made the purchase from V using his HSBC credit card and so contracted with V, which means there is the required DCS agreement in place. Additionally, the cash price paid for the car falls within the financial limits allowed under Section 75. So, I'm persuaded that Section 75 applies in this case.

HSBC hasn't explicitly or persuasively disputed that there was a breach in contract, and it has made an offer to pay for the repairs Mr S carried out. Based on what I've seen I think on balance there was a breach in contract here. I say this because the issues with the breaks and lights were discovered relatively quickly after the purchase. Given the cars age and mileage at the time of purchase, for the vehicle to be of satisfactory quality, it's reasonable for the lights and brakes to be in working order.

Given this, I intend to focus my decision on the point of dispute here which is whether HSBC has acted fairly in declining to reimburse Mr S for the full cost of the car. To help me decide whether HSBC has acted fairly in this case I have considered both Section 75 and the Consumer Rights Act 2015 (CRA).

Mr S has argued that the breach of contract was so significant that the only fair remedy here would be for HSBC to refund him for the cost of the car. He's argued that just repairing the car doesn't put him in the position he would have been had the breach not occurred. I understand Mr S feels strongly about this and I appreciate he's had a less than satisfactory experience when buying a car that if not new, was new to him. However, I don't agree that the only fair remedy here would be a full refund of the amount paid for the vehicle, and I'll explain why.

Under the CRA every contract to supply goods is to be treated as including a term that the quality of the goods is satisfactory. I think it's reasonable to say the car was not of satisfactory quality in this case, and the CRA sets out the potential remedies for this and I've considered which of these I think to be the fairest way to resolve the complaint.

The short term right to reject the vehicle began when Mr S took possession of the car and under the CRA lasted 30 days. When exercising the right to reject the customer must communicate this clearly to the supplier (in this case V). Mr S bought the car on 26 March 2023 and emailed V on 21 April 2023 saying he would be happy to return the vehicle at their cost or have it repaired at V's cost. Whilst Mr S has mentioned returning the car in this email, I don't think it's a clear rejection of the vehicle because Mr S gave more than one possible remedy that he would find acceptable - and ultimately, he went with repair and continued to use the car. So, I can't fairly say Mr S rejected the car within the first 30 days.

The final right to reject the goods may only be exercised after one attempt to repair (or replace) the goods fails, and the goods still don't conform to the contract. Where the final right to reject is exercised any refund due to the customer will be reduced by a deduction for the use of the goods where the goods are a vehicle. It's clear Mr S gave V an opportunity to

repair the car, and when he wasn't taken up on this, I can't see he attempted to return the vehicle but, instead had the vehicle repaired at his own expense. As far as I can see from the evidence available Mr S has continued to use the vehicle. This suggests that the repair remedied the breach of contract. So, I can't agree that the breach of contract was of such a nature as to make a repair an inappropriate way to put things right.

However, V and so by extension HSBC, are liable to pay the costs of the repair. HSBC offered to pay for the cost of the repairs in September 2024 and I think this is reasonable. However, it took around six months for a decision to be reached on the claim and there were around 4 months of delays. So, I think it would be reasonable to account for this time that Mr S was out of pocket.

I understand what a disappointment this must be to Mr S. However, I must decide whether I think HSBC has acted unfairly in its consideration of his claim. And on the evidence available I'm not persuaded HSBC has acted unfairly in this case in offering to pay for the cost of the repairs.

Customer service

Mr M has complained about the requests for information that he had already provided and the delays in progressing the Section 75 claim. Having reviewed what happened I can see that at times HSBC did ask Mr M for information he had already provided, and I can understand this would have been frustrating. In addition, it appears that HSBC didn't require any additional information after 7 May 2024, but a decision on the claim wasn't communicated to Mr S until 18 September 2024 – a delay of just over 4 months.

HSBC hasn't provided an explanation for this delay and has said that sometimes documents are re-requested to help progress a claim more quickly. But when a customer has already provided information, I don't think it's reasonable to ask them to provide it again for this reason.

I think it's fair to compensate Mr S for the delay and I think the most reasonable way to do this is to award 8% simple interest per annum for the period Mr S was out of pocket. Ordinarily I would say this would be from the date Mr M had the work carried out until the date HSBC made the settlement offer. However, HSBC has already agreed to pay the interest from 9 May 2023 until the date of settlement. As I can only consider what's happened in relation to the Section 75 claim which began in March 2024, I can't see that it would be fair for me to increase the offer already made.

Although Mr S has said he thinks compensation of £200-300 would be more appropriate in this case, I can only award compensation for the impact of any errors on the customer. I understand Mr S is unhappy with HSBC but, based on the evidence I've seen about the impact of the errors I can consider on Mr S, I think £50 compensation is fair.

My final decision

My final decision is that I partially uphold Mr S' complaint and direct HSBC UK Bank Plc to:

- Reimburse Mr S £884.36 for the cost of the repairs. Plus 8% simple interest per annum from 9 May 2023 to the date of settlement.
- Pay Mr S £50 compensation to recognise the distress and inconvenience it caused in the handling of his section 75 claim.

*HM Revenue & Customs requires HSBC to deduct tax from any award of interest. It must give Mr S a certificate showing how much tax has been taken off if he asks for one. If it intends to apply the refund to reduce an outstanding balance, it must do so after deducting the tax.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 22 August 2025.

Charlotte Roberts
Ombudsman