

## **The complaint**

Mrs D complains that Lloyds Bank PLC will not provide a full refund for a car which was bought using her credit card.

## **What happened**

On or around 4 October 2023 Mrs D and her husband bought a used car from a dealership, which I'll call "R". The price was £10,200, and Mr and Mrs D also paid £737.50 for an RAC Platinum 3 year insurance policy, which covered mechanical breakdowns. Mrs D paid £2,000 of the total price with her Lloyds credit card.

The invoice recorded a mileage of just over 80,000 miles and that the car had been first registered in March 2012.

Within three weeks, Mr and Mrs D reported various issues to R. They including juddering when the car was driven. The car was taken to a workshop for diagnostic reports. The resulting report identified faults with the satellite navigation system, a door seal, an oil leak and the boot struts. It said that the juddering was due to a suspected fault with the transmission, drive shaft, prop shaft, or gearbox.

The car was returned to the seller, where repairs were carried out. In February 2024 the car was returned to Mr and Mrs D. The seller's notes said that work had been carried out and the car was performing as it should.

Mr and Mrs D say that they nevertheless wanted to return the car and receive a refund, but that R would not agree to that. They say too that the shuddering continued.

Mrs D contacted Lloyds about the matter. It submitted a chargeback request and applied a temporary credit of £2,000 – the amount Mrs D had paid with the card – to Mrs D's account. The bank also asked Mrs D to obtain an independent report on the car. Mrs D did that. The report concluded that a drive shaft needed replacing and that to do so would cost just under £1,200.

Lloyds spoke with the producer of the report to ask whether the repair had been needed at the point of sale. They said that they could not be sure. Lloyds therefore declined to consider the matter further, but noted that R had not responded to the chargeback claim. That meant that the refund of £2,000 would remain; the bank noted that this would cover the cost of the repair to the drive shaft. Subsequently, the drive shaft was replaced under warranty and at no additional cost to Mr and Mrs D.

Mrs D referred the matter to this service, where one of our investigators considered what had happened. She thought that Lloyds ought to have identified that the drive shaft was faulty at the point of sale and taken that into account when considering Mrs D's claim. But she noted too that repairs had been carried out under warranty and concluded that it would not therefore be fair to require the bank to do any more to resolve matters. Mrs D did not accept the investigator's assessment and asked that an ombudsman review the case. In

doing so, she said that satellite navigation system was no longer working and, more recently, that the juddering had resumed.

### **What I've decided – and why**

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### ***Chargeback***

Where goods or services are paid for with a debit or credit card and a dispute arises, it is sometimes 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, Lloyds) 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.

In this case, it seems that R did not respond to the chargeback request, with the result that it was, in effect, resolved in Mrs D's favour.

### ***Section 75 of the Consumer Credit Act 1974 ("section75")***

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.

I note in this case that Mrs D's credit card was used to pay, in part, for the car. R's invoice was, however in Mr D's name. It might therefore be argued therefore that it is he who had a contract with R. Against that, I note that the car's insurance policy was in Mrs D's name (with Mr D as a named driver), so I think it more likely that the sale contract was with both of them, and that's the basis on which I've approached this decision.

Mrs D's case is, in summary, that she has a claim against R for breach of contract and that she is therefore entitled to reject the car and receive a full refund. Because of section 75, she says she has a "like claim" against the bank.

Under the Consumer Rights Act 2015 the contract with R was to be read as including a term that the car would be of satisfactory quality. That means the quality that a reasonable person would expect in all the circumstances – including, for example, the car's age, price and mileage. In addition, the contract included the RAC guarantee, which appears to give additional rights to have repairs carried out, even where there was no fault on the part of R.

The car here was fairly old and had a reasonably high mileage at the point of sale. It was priced accordingly. I would not expect it to be in perfect condition; some minor issues were to be expected, and no doubt that was part of the reason for the purchase of the additional warranty. Indeed, I think that most of the work needed and carried out in December 2023 and January 2024 would fall into this category. The faults that were rectified then were not, in my view, faults that would make the quality of the car unsatisfactory.

The drive shaft is, however, different in my view. The bank was told the fault was severe and that the part was clearly defective. Given that Mr and Mrs D had reported the symptoms of the fault (juddering and knocking) almost immediately, I agree with the investigator that there was compelling evidence that the fault was present at the point of sale. I think Lloyds should have approached the section 75 claim on that basis.

The Consumer Rights Act provides for a range of different remedies where a supplier is in breach of contract. They include rejection of goods, a reduction in price, repairs and rescission of the contract. Generally, it is for the consumer to decide on the remedy.

In this case, Mrs D says that she is entitled to reject the car because (i) it was not of satisfactory quality at the point of sale and (ii) she and Mr D sought to reject it within 30 days of the sale. I can understand Mrs D's argument here. It may well be the case that, on a strict application of the Consumer Rights Act, R should have taken the car back and provided a refund.

However, I am required by law to reach my decision on the basis of what I consider to be fair and reasonable in all the circumstances. In doing so, I must have regard to any relevant law. In considering what's fair and reasonable, I have in mind that rejection of the car is no longer possible. It is older than it was and it has been used and repaired. To that extent, it is not really the same car. And, given that I am dealing with Mrs D's complaint about Lloyds (not about R), I think that it would be very difficult to give effect to a rejection in an award requiring the bank to do something.

The usual remedy for breach of contract is to put the parties in the position they would have been in had the contract been performed; the right of rejection is an exception to that. Had the contract been performed here, Mr and Mrs D would have had a car which was of satisfactory quality for an 11 year-old vehicle with 80,000 recorded miles. Following the repairs, that is broadly what they had (although it was older by the time the repairs were completed). In addition, Mrs D has received £2,000 from the chargeback claim. That has had the same effect as a reduction in price. In my view, that is a fair outcome.

Mrs D has been critical of the way R handled the matter, including the time taken to complete repairs and the failure to provide updates. But I don't think I can fairly hold Lloyds responsible for that. She has also said that some of the problems have returned. But, if that is the case, that is a matter which has arisen after she raised this complaint, so I cannot properly consider those developments in this decision. I note though that the warranty may cover them in any event.

I stress that it is not for me to say whether Mrs D does or did in fact have a claim against R. Nor is it for me to decide whether she has a claim against Lloyds under section 75. What I must do is decide what I consider to be a fair resolution of her complaint about Lloyds' decision to decline her claim. As I have indicated, I do not believe that Lloyds handled the claim as well as it should have done. But I think that the overall outcome is fair in all the circumstances and that it would not be fair for me to require Lloyds to any more to resolve matters.

### **My final decision**

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D to accept or reject my decision before 10 July 2025.

Mike Ingram  
**Ombudsman**