

The complaint

Mr F is complaining that HSBC UK Bank Plc didn't process a chargeback claim he made for some faulty goods that he bought using his HSBC debit card.

What happened

In August 2020 Mr F bought two chairs online through a third-party company – who I shall refer to as S. He paid £450.86 for them in total using his HSBC debit card. When the chairs arrived, Mr F says he realised they were faulty, so he contacted S to arrange replacements. He says S didn't reply, so he contacted HSBC and asked it to raise a chargeback.

HSBC didn't process the claim in time, which meant it became too late to process it. It offered him £30 in compensation. Mr F wasn't happy with this, so he referred his complaint to this service. Since then, HSBC has offered to refund 50% of the cost of the chairs and allow him to keep the chairs.

I issued a provisional decision upholding this complaint and I said the following:

“Chargeback is the process by which a bank or credit card provider looks to resolve a settlement between a consumer and a merchant under the relevant card scheme. Initially the card provider will temporarily refund the payment back onto the card account and will raise a dispute with the merchant. The merchant is then required to respond within a prescribed period of time with any further information it wishes to provide and set out why it thinks the chargeback shouldn't go through. If the chargeback is defended, then the temporary refund is returned to the merchant.

It's not disputed the chairs supplied were faulty as Mr F provided photos of the issues when he first raised the dispute. However, it's important to set out that a chargeback claim, isn't the same as holding HSBC liable for the actions of the supplier. The rules that surround raising a chargeback dispute are strict and set out when a chargeback claim can be raised, what information a consumer must provide to support the claim and the time limits for when the claim can be raised.

Ultimately, HSBC didn't raise the dispute in time which meant Mr F has become ineligible to raise it. I acknowledge that this was unprecedented times due to the impact of Covid-19 and many businesses were struggling to adapt. I'm also conscious that the number of disputes raised by consumers during that time were significantly higher than normal. So it's understandable that it would take longer than normal to process a chargeback claim. But I don't think this reasonably justified HSBC not processing the claim in time. HSBC should have reviewed the claim within a reasonable timeframe and informed Mr F of what he needed to do for it to be able to process the claim.

As I said, there are strict rules that set out when a consumer can raise a chargeback and these rules are set by the scheme provider – which in this case was VISA. In this case the relevant chargeback code would have been “goods not as described or defective merchandise/services”. However, to be eligible to raise a claim, it was a requirement under the rules that Mr F needed to have either returned the goods to the merchant or tried to

return the goods but had been prevented from doing so.

Mr F still has possession of the goods and I haven't seen anything to show he'd looked to return the goods, other than an initial enquiry about looking to arrange a replacement. So, I don't think Mr F was eligible to raise a chargeback when he first contacted HSBC. But, I think HSBC should have made this clear when he first raised the chargeback. I think, on balance, had it explained this, he would have taken steps to try to return the goods. And, had he done so, I think he would have, either received a refund from the merchant, received replacement goods or been eligible to raise a successful chargeback claim. So I think Mr F has lost out because of what HSBC did wrong.

I acknowledge HSBC has offered to refund 50% of the cost of the chairs and for Mr F to keep the chairs. But the chairs still have the faults with them. I think this offer is fair if Mr F wishes to retain the chairs. However, I don't think it's fair to require him to keep the chairs in their damaged state if he doesn't wish to do so. So I think HSBC should either:

- 1. Allow Mr F to retain the chairs and refund 50% of the amount he paid – i.e. refund £225.43; or*
- 2. Arrange to collect the chairs and pay refund the full amount he paid for them – £450.86. In addition to the above, I think it should pay 8% simple interest (less tax if correctly deducted) on any refund it gives from 23 September 2020 (the date Mr F first raised the chargeback) until he gets it back.*

I also think Mr F has suffered avoidable distress and inconvenience in trying to resolve this complaint. HSBC has offered £30 compensation, but I don't think this is sufficient and I think it should pay £100 in compensation."

Mr F responded to accept my provisional decision and said he wanted to do option 2. HSBC didn't agree with my provisional decision. It said it told Mr F via the declaration form it needed evidence he'd returned the goods. It maintained Mr F didn't provide the evidence it needed which is why it didn't agree to the full refund. Finally it said it doesn't collect or accept faulty goods and maintained it was Mr F's responsibility to return them to the supplier.

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've taken HSBC's comments into account, but I've come to the same conclusion as I did in my provisional decision.

I accept the dispute form asked Mr F to provide evidence of the attempt to return the goods. But I don't think it would be clear to Mr F from this that he wasn't eligible to raise a chargeback unless he'd returned the goods. I think a reasonable person would interpret this as it's evidence HSBC needs to review the chargeback – not that they cannot make a chargeback claim without it. And, it's ultimately, HSBC's delay in reviewing the claim that's prejudiced Mr F's position. Ultimately, I remain of the opinion that HSBC has prejudiced Mr F's ability to pursue the chargeback. And I think he would have received a full refund had it done what it should have.

I note HSBC says it can't collect the chairs. If it's unable to do so, it should arrange for the chairs to be disposed of if Mr F decides he doesn't want the chairs any longer.

My final decision

For the reasons I've set out above, it's my final decision that I uphold this complaint and I require HSBC UK Bank Plc to either:

1. Allow Mr F to retain the chairs and refund 50% of the amount he paid – i.e. refund £225.43; or
2. Arrange to collect or dispose of the chairs and pay refund the full amount he paid for them – £450.86. In addition to the above, I think it should pay 8% simple interest (less tax if correctly deducted) on any refund it gives from 23 September 2020 (the date Mr F first raised the chargeback) until he gets it back.

It should also pay Mr F £100 in compensation if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 30 December 2022.

Guy Mitchell

Ombudsman