

## **The complaint**

Mr M complains that HSBC UK Bank Plc trading as first direct wrongly reversed a direct debit indemnity refund.

## **What happened**

In September 2023, Mr M contacted first direct to make an indemnity claim under the direct debit guarantee scheme for council tax payments he had been making since opening his bank account with first direct. Mr M told first direct that the payments had been taken in error and that he had only recently noticed them on his account.

First direct refunded the payments but then went on to reverse the refund after the council supplied evidence that Mr M had authorised the payments. First direct agrees that it didn't tell Mr M ahead of reversing the refund. For this failure, first direct paid Mr M £50 together with debit interest.

Our investigator didn't uphold Mr M's complaint. She didn't think first direct acted unfairly when it reversed the refund after the council challenged the indemnity claim. Our investigator agreed that a call handler at first direct told Mr M that it would tell him if the council challenged the indemnity claim. But she thought first direct's compensation payment of £50 together with interest was a fair way to apologise.

Mr M disagreed with the investigation outcome. He said first direct did not investigate his indemnity claim and that he had evidence of fraud. Mr M said first direct just took the money back without asking him. Mr M said first direct didn't give him the chance to provide further evidence before reversing the refund. Mr M said first direct didn't have permission to take the money back from his account.

Our investigator said that the direct debit guarantee wasn't designed to resolve contractual disputes and that during phone calls, first direct explained it might re-debit Mr M's account if the council disputed the claim. Our investigator was satisfied that first direct told Mr M that the refund was temporary until the indemnity claim had been accepted or declined.

Mr M still disagrees with our investigator. He says there was an error with the payments made to the council so he was entitled to a refund.

## **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.

Mr M's complaint stems from an indemnity claim made under the direct debit guarantee (guarantee). So, it may be helpful to set out the terms and conditions of the guarantee.

*The guarantee applies to all direct debits. It protects you in the rare event that there is an error in the payment of your direct debit, for instance if a payment is taken on the incorrect date, or the wrong amount is collected. It cannot be used to address*

*contractual disputes between you and the billing organisation.*

The guarantee allows account holders to receive an immediate refund from their bank in some, but not all circumstances. The right to a refund is not absolute or automatic. And I don't consider the guarantee is intended as a means of recovering historic payments years later or for dealing with contractual disputes.

When Mr M contacted first direct in September 2023, he said that payments had been made in error without him noticing. When first direct pressed him for further information, Mr M said that he should not have been paying council tax due to having an exemption.

The council supplied copy tax bills, details of payments made and evidence that Mr M had set up the direct debit at the end of November 2019. I think the information first direct received was enough for it to be satisfied that Mr M authorised the direct debit and that the council had not made an error when the payments were taken.

Although Mr M thinks first direct should have investigated further or given him the chance to present arguments to challenge the council's response – I don't agree. As I have said above – the guarantee is not designed to deal with a dispute over whether a particular discount or exemption should have been applied. It would be for Mr M to take this up with his local council.

I am satisfied that during phone calls, first direct told Mr M that if the council disputed the indemnity claim, first direct would re-debit his account. So, I don't consider first direct acted unfairly when it reversed the refund in light of the information supplied by the council.

I agree that it would have been disappointing and inconvenient for Mr M to find first direct had taken the money back without warning him – particularly after the call handler had told him this would happen. But I consider first direct's apology and compensation payment fairly recognises this inconvenience.

I am sorry to disappoint Mr M but for the reasons outlined above, I don't require first direct to refund the direct debit payments or take further action in response to his complaint.

### **My final decision**

My final decision is that I don't uphold this complaint in the sense that HSBC UK Bank Plc trading as first direct has already done enough to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 22 March 2024.

Gemma Bowen  
**Ombudsman**