

The complaint

Mr L complains that Lloyds Bank PLC (“Lloyds”) allowed a direct debit (“DD”) to be collected from his account without his authorisation. Mr L wants Lloyds to refund the DD’s.

What happened

Mr L discovered he’d been paying a second DD of £23 a month to a service provider (the “originator”). Mr L says he doesn’t remember setting the second DD up. On 24 February 2023 Mr L raised a DD indemnity claim with Lloyds and received a refund of seven months’ worth of payments totalling £161 the same day.

The DD was cancelled and Lloyds confirmed in writing to Mr L that if it was found no error was made on its part or the originator’s part in the collection of the DD the money will be taken back.

Lloyds received a challenge to the claim from the originator and it provided evidence of a monthly bill for £23 for a service Mr L was receiving and was being credited to the same account as another DD payment being collected by the originator. The originator also confirmed Mr L was given advance notice of the bills before the DD was collected. Lloyds was satisfied from this that the processing of the DD payment wasn’t an error which resulted in the originator reclaiming the refund from Lloyds.

Mr L complained and asked Lloyds to send him the signed DD mandate which shows he authorised the payments but hasn’t received anything from it.

Lloyds didn’t uphold Mr L’s complaint as it was satisfied on the information it had the DD was set up correctly. It says any issues or disputes Mr L has regarding the payments needs to be raised directly with the originator.

One of our investigators looked into his concerns but didn’t think Lloyds had treated him unfairly as they thought Lloyds actions were in-line with the DD guarantee scheme guidelines. Lloyds had provided evidence which showed that the money taken out of Mr L’s account by DD was in relation to charges he’d incurred on a monthly bill and therefore was satisfied no error had been made in processing the DD.

They explained there are times when a customer gives their authority for DD’s to be taken in writing by signing a form, but that sometimes authority is given by providing their bank account details to allow the service provider to set up the direct debit.

Furthermore, as the direct debit guarantee doesn't deal with contractual disputes between the consumer and the originator it isn't the responsibility of Lloyds to rectify any dispute between the two parties such as whether the payments taken are correct. Rather, Lloyds' role is limited to deciding whether the originator has the authority to collect the payment. If Mr L doesn't believe there is a contract between himself and the originator, then he would need to raise this with it directly.

Mr L disagreed. He doesn't dispute the DD payments for the first DD set up but rather the second payments coming out. He says the date and other details of the payment were different from the original DD and that Lloyds have breached the terms of the DD guarantee by paying a second DD without receiving a second signed mandate. Mr L has asked for an ombudsman's 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.

Having considered everything provided, I've decided not to uphold Mr L's complaint.

My role is to look at the problems Mr L has experienced and see if Lloyds has done anything wrong or treated her unfairly. If it has, I would seek – if possible - to put Mr L back in the position he would've been in if the mistakes hadn't happened. And I may award compensation that I think is fair and reasonable.

Mr L says he never signed a DD mandate for the second DD payment and therefore Lloyds breached the terms of the direct debit guarantee by not refunding the payments taken out of his account.

It might be helpful here to explain that the direct debit guarantee entitles account holders to receive an immediate refund from their bank in certain circumstances such as when the payment taken is on the incorrect date or the wrong amount is collected. And it cannot be used to address contractual disputes between the customer and the service provider.

The purpose of this guarantee is to protect customers who've allowed third-party permission to take payments directly from their account. If a payment error is made – either by the bank or by the business collecting the payment (“the originator”) – then they should be able to get an immediate refund from the bank. And the bank will get repaid by the originator under the direct debit indemnity.

So the question I have to ask is whether Lloyds has done anything wrong or treated Mr L unfairly when following its investigation into the matter it reversed the refund to Mr L of payments taken by DD.

And I don't think Lloyds did treat Mr L unfairly - as it wasn't able to establish from the information it had whether there had been a payment error. Indeed, the payments were being taken by DD for a service according to the information it had that Mr L was receiving and being billed in advance for.

I appreciate that Mr L disputes he ever set up the DD in the first place and wants Lloyds to provide proof of a signed direct debit form. But DD's can be set up in any number of ways – such as over the phone, online or in writing. So I don't think the fact Mr L hasn't seen a signed authority for this particular DD means that he didn't authorise it.

I also appreciate Mr L is disputing that any goods or services have been provided, amounts payable and has a lot of unanswered questions – which is no doubt frustrating for him. But these are questions that only the service provider can answer and as has already been explained the DD guarantee can't be used to address disputes between the customer and the originator and as such if Mr L is disputing the amount or frequency of the DD, he needs to raise this with the service provider – which I understand he now has.

So overall, I don't think Lloyds has treated Mr L unfairly by not agreeing to refund Mr L's DD payments, as based on the information it had, I don't think it was unreasonable to conclude an error hadn't been made and so it follows that I do not uphold Mr L's complaint.

My final decision

For the reasons I've explained I've decided not to uphold Mr L's complaint against Lloyds Bank PLC.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 8 April 2024.

Caroline Davies
Ombudsman