

## The complaint

Mr A complains that Barclays Bank UK PLC delayed a direct debit indemnity claim he made for his business. When the claim was processed, he received a lower amount than expected

## What happened

Mr A holds a sole trader account with Barclays. A direct debit was paid from the account from around January 2018 until September 2020. The regular amount ranged between around £648 and £768.

Mr A says he first attempted to make a direct debit indemnity claim with Barclays on 21 November 2023. Unfortunately, he didn't receive the claim form until 16 January 2024. Mr A completed the form and returned it, claiming around £18,692 in total. However, as he didn't hear anything back from Barclays, he contacted it again on 25 January 2024. Due to what Barclays described as internal miscommunications, whilst the form was assessed on 19 January 2024, the claim wasn't fully processed until 6 February 2024.

Barclays called Mr A to explain and to let him know the originator of the direct debit had been contacted and given 14 working days to provide evidence if it felt the direct debit claim should not be met.

Mr A wasn't happy with this. He pointed to the terms of the Direct Debit Guarantee, which said he was entitled to an immediate refund. As such, he didn't think it was fair or in-line with the Guarantee that Barclays had given the originator 14 days to respond.

Barclays sent Mr A its response, addressing Mr A's points. It accepted there had been some service failings, resulting in a delay in his claim being processed. It offered Mr A an apology and £250 to make up for the distress and inconvenience caused. But it didn't think it had done anything wrong in allowing the originator 14 days to respond.

Barclays said it was satisfied the correct process had been followed, partly due to the payments in question dating back to 2018. It also referenced advice which had previously been given by our Service, which said: when a customer is claiming for payments going back over a long period of time, it was fair for the financial business to request evidence of an error before paying a full and immediate refund.

Barclays concluded the letter by saying as long as the originator didn't defend the claim, it would be sending him around £14,243. It acknowledged this was less than Mr A had initially claim for, but explained this was due to some of the direct debits being returned unpaid. It said if Mr A made alternative payments at the time – such as card payments – this wouldn't be covered under the scheme.

Mr A didn't think this was fair and brought the complaint to our service.

Our Investigator didn't uphold the complaint. She said the Direct Debit Guarantee didn't allow account holders to receive an immediate refund in every situation. She added that as several years had elapsed without the payments being challenged, she didn't think Barclays

needed to refund the direct debits immediately and without question.

The Investigator also addressed Mr A's unhappiness at the amount refunded. She explained that Mr A's statements showed some direct debits were returned unpaid, and that these payments were not successfully retaken at a later date. As the Guarantee didn't cover other types of payments, any alternative payment Mr A had made wouldn't have been covered under the claim.

Finally, the Investigator looked at the £250 offered by Barclays to address the service errors which caused the delays. She felt the money offered and the apology given were fair and reasonable in the circumstances. She didn't think any further payments were required.

Mr A wasn't satisfied with this response. He said the delay in requesting a refund was because he only recently became aware of his rights under the Direct Debit Guarantee.

He highlighted the time Barclays had taken to assess the claim, indicating that £250 wasn't enough to make up for this.

He regarded the refund paid to him as partial, and felt Barclays was in breach of the Direct Debit Guarantee.

As no agreement could be reached, the case has been passed to me to decide.

### **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 done so, I won't be upholding this complaint. I realise this isn't the answer Mr A hoped for, so I've explained why below.

Usually, where a payment error has been made, a customer should be able to get an immediate refund of the incorrect direct debits from their bank. But this isn't always the case, particularly where payments were made some years ago.

The Guarantee says:

*'If an error is made in the payment of your Direct Debit, by the organisation or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society.'*

But the issue here is that, because of the time since the payments were made, it isn't immediately obvious whether there was indeed an error in the payment of the direct debit. As an error in payment must be made for the Guarantee to cover the direct debit, it's not unreasonable for a business to first investigate the presence of an error before meeting the claim.

Mr A has explained he only recently became aware of his rights under the Guarantee, and this is why there has been a delay in making the claim. Whilst I acknowledge his explanation, the direct debit guarantee doesn't deal with contractual disputes between the bank's customer and the originator. If a claim has been raised incorrectly, the indemnity is unlikely to apply. And even if it does, receiving a refund might simply mean the originator pursues the recovery of the money from the bank's customer.

Mr A's claim amounted to a significant sum of money, covering a number of years. Because of this, Barclays could have been exposing Mr A to a liability if it had refunded immediately and without question as Mr A wanted it to. With this in mind, I don't think Barclays acted unfairly or unreasonably when it approached the originator for comment.

I've thought carefully about the amount arrived at by Barclays. I agree with Mr A that this is quite different to the amount he claimed for. However, as noted by the Investigator, the Guarantee only covers payments made by direct debit.

Mr A's statements show that a number of direct debits were returned, apparently due to the account containing insufficient funds. Where collection of the direct debits was reattempted, they were generally all declined again, for the same reason.

As noted in the terms of the Guarantee, quoted above, a refund applies when an error is made in the payment of the direct debit. This doesn't apply to card payments or other means Mr A might have used to meet the contract he had with the originator of the direct debit.

Based on what I've seen of Mr A's statements, and what I've said above, I don't think Barclays was wrong to pay the amount it did. I say this because the amount reflects the sum of the payments successfully made by Mr A, via direct debit.

Finally, I've considered the overall amount of compensation paid to Mr A as a result of the delays caused by Barclays' service failings. I should mention that our service is here to resolve disputes between financial businesses and their customers. Whilst Mr A has said Barclays breached the Direct Debit Guarantee and delayed his claim, I'm generally only able to direct Barclays to pay compensation where it made a failing which caused Mr A to lose out.

But, as detailed above, I don't think Barclays made a failing in its interpretation or application of the Direct Debit Guarantee. So I'm satisfied that, in these circumstances Barclays was not obliged to refund immediately and without question. Because of this, I don't believe compensation is due on this point.

And, on the remaining issues, namely its delay in assessing the claim, while I agree that Barclays' service failings contributed to the delay in paying the claim, I haven't been persuaded that more than £250 is required to sufficiently address the impact on Mr A.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 13 June 2024.

James Akehurst  
**Ombudsman**