

The complaint

Mr N is unhappy with Capital One (Europe) plc. Mr N changed his direct debit that he thought was still active on his credit card account. But the payment didn't go through when expected. Mr N wanted an explanation why his bank wasn't approached for the direct debit payment, why it was cancelled, why he wasn't notified, he wanted an apology and £100 compensation. He also wanted to know what steps were being taken to avoid a reoccurrence.

What happened

Mr N originally had an active direct debit with Capital One. Then for a period the direct debit on the account wasn't used. But some time later Mr N changed the direct debit and set it to pay off a full statement balance. The payment didn't go through at the date set. So, Mr N paid it off by faster payment the following day as he didn't want the amount outstanding any longer as the payment deadline was approaching.

Mr N complained to Capital One but as he wasn't satisfied with its answer, he brought his complaint to this service.

Our investigator upheld the complaint because after it had come to this service Capital One contacted our investigator to make an offer. It apologised and offered £100 compensation as requested by Mr N. Our investigator offered this to Mr N, but he said he wanted the matter investigated. After reviewing the case in full our investigator said the offer was fair and reasonable.

Mr N didn't accept this and asked for his complaint to be passed to an ombudsman for a final 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.

I note Mr N has made a complaint to his bank too – but I won't comment on that complaint as it's entirely separate.

Mr N said he wanted an apology from Capital One, £100 compensation for the anxiety, distress and upset, an explanation as to why the direct debit didn't go through, why it was cancelled and why he wasn't notified this. He also wanted to know about steps taken to prevent a reoccurrence.

Mr N had a direct debit set up and in use with Capital One until March 2021. The direct debit wasn't used after that date. But on 1 October 2023 Mr N revisited the direct debit and set it so the full outstanding statement balance of £1304.95 would be paid off his Capital One credit card account.

Mr N was expecting the amount to be paid around 14 November 2023. But the amount wasn't paid that day. Mr N intervened to pay the amount himself the following day by faster payment. Mr N did this as the final date for payment was 17 November 2023. If the amount hadn't been paid by this date interest would be chargeable. Capital One notified Mr N on 16 November 2023 that the direct debit hadn't been taken and it had been cancelled.

As Mr N stepped in to make sure the payment was made there was no financial impact. But Mr N said it did cause him anxiety and worry as he had to keep checking to find out if the direct debit would be taken or not. Mr N was under the impression from his Capital One account that the direct debit had been set up and would be taken. Mr N said at one point there was a transaction appearing on the Capital One website indicating the direct debit payment had come through.

Capital One accepted that Mr N changed the direct debit on 1 October 2023. It confirmed it sent Mr N an email saying this had been successful the following day. However, it said the direct debit was returned unpaid by Mr N's bank on 14 November 2023. Capital One said this was because *"they don't have your instruction or authority of setting up the direct debit."* Capital One accepted it didn't email Mr N until 16 November 2023 to let him know about the direct debit cancellation. Capital One said it had followed the right process and the amount wasn't paid because Mr N's bank didn't have his instructions to pay it, but it did apologise. Capital One concluded there wasn't an active direct debit set up.

Capital One did admit given the inactivity for such a long period on the direct debit it should have realised it was no longer active. It said it should have asked Mr N to set up a new one rather than amend the old one. It said it appeared the direct debit was active from its own end. but Mr N's bank were not sent the instruction as it would expect.

Capital One had made errors and said so when it made its offer to Mr N through this service. As an explanation it said internal processes hadn't been followed exactly which caused the problems. It said up until 16 November 2023 its system believed there was an *"active direct debit set up."* It noted this issue with Mr N's account was very rare and was purely a system error. It concluded *"this should've flagged on a report to be manually cancelled after 13 months of inactivity, but I'm unable to see this flag ever occurring."*

Regarding how Capital One becomes aware of direct debit inactivity it said *"we're either notified by the customers bank (which hasn't occurred), or it would usually flag on a report due to inactivity. As neither of these were done, we didn't become aware till we tried to claim the direct debit and it was reversed as 'no instruction'."*

On Mr N's point about avoiding reoccurrence Capital One said *"Whilst I appreciate Mr N asking how we're going to learn from this incident, as he quite rightly mentioned technology isn't always hassle free and unfortunately on this occasion a system error has led to inconvenience and distress for Mr N. Our payments team is aware of this incident so they can look to avoid this happening again in the future."*

When Capital One made its offer through this service it said it initially felt Mr N's bank was at fault. But it did change its mind and accepted responsibility. It said as the direct debit had been inactive for over two years it should have cancelled it. So, it agreed that the direct debit would have looked active to Mr N when he amended the payment amount. Capital One should have asked Mr N to set up a new direct debit instead. But it did apologise for any distress and inconvenience caused and offered the £100 requested by Mr N.

I don't think Capital One acted entirely fairly and reasonably from the outset. But I think it did when it made the offer and explained the situation through this service. Mr N wanted an apology, and one was made. Mr N asked for £100 as compensation and Capital One offered

that once the complaint came here – if the amount hasn't been paid it should pay this now. Capital One has explained what happened in its internal process, and I think that's fair. It has explained why the direct debit was cancelled due to the period of inactivity and I think that's reasonable. Also, it confirmed (noted above) its approach to potential reoccurrence. So, I think when Capital One made the offer it acted fairly. Prior to that point – before the complaint came to this service, I don't think it had done enough to resolve the issues for Mr N. That's why this case is upheld.

My final decision

I uphold this complaint.

I require Capital One (Europe) plc, if it hasn't already, to:

- Pay Mr N the offered £100 compensation for his distress and inconvenience.

I make no further award against Capital One (Europe) plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 25 December 2024.

John Quinlan
Ombudsman