

## **The complaint**

Mr A complains that Santander UK Plc debited direct debit payments from his account the day before they were scheduled to leave his account.

## **What happened**

Mr A says that on 19 January he attempted to put fuel into his vehicle for an early morning start on 20 January. He says that he had a small bank balance and an arranged overdraft available, but he was aware there was a positive balance on his account. Before refuelling, he checked his online banking and he was shocked to see that two direct debits had debited from his account early. This left the account overdrawn and he entered an unarranged overdraft. He says the transactions were dated 20 January despite it being 19 January.

Mr A says that he gets paid on the 20<sup>th</sup> of each month, therefore he has direct debits which he wants to leave on the 20<sup>th</sup> each month. He also says that a direct debit that he pays to a third party bank was taken on 20 January, when it should've been taken on 21 January.

Mr A contacted Santander via their live chat facility to find out how this could happen. He says he was initially told that he could raise a direct debit guarantee (DDG) claim and have the money refunded to him under the guarantee. Mr A says Santander have later went on to claim that there was no error and the direct debits were taken around the due date, that it's okay if the bank debits the money a day early, it's not the banks responsibility and it's the companies he was paying that have debited the money from his account and he should speak to them, he should change the date of the direct debit and Santander wasn't responsible for the early presentation of direct debits, amongst other explanations.

Mr A has said that he spoke with some of the companies he pays by direct debit, including one which is a third party UK based bank. He says that the companies referred him to Santander and he says he's been advised that Santander have ran their direct debit file early and that's why this occurred. Mr A made a complaint to Santander.

Santander did not uphold Mr A's complaint. They said they only facilitate direct debit collection and that some direct debits are collected during overnight processing and as such may leave the night before the due date while showing the date the following day. They said if this poses an issue moving forward, he could contact the companies involved and reschedule the date of the direct debit.

Santander said that Mr A had been advised correctly that if there was an error then he could raise a direct debit indemnity with them, but an error does not appear to have occurred as the direct debits showed the correct collection date, although the funds may have been withheld or collected the night before, which was not something they can amend or prevent, so they suggested he contacted the companies involved to see if they could help him. Mr A brought his complaint to our service.

Our investigator did not uphold the complaint. He said that a direct debit is an agreement between a customer and the organisation collecting the payments, and they are responsible for collecting the direct debit in accordance with advance notice issued to Mr A. He said that

the required funds were earmarked for the pending direct debit, therefore deducted from his available balance of his account, so the amounts did not leave his account on the wrong day, therefore he did not feel that Santander had done anything wrong.

Mr A asked for an Ombudsman to review his complaint. He made a number of points. In summary, he said that he had presented evidence showing that on 19 January, his Santander account was in a negative balance and his account was in an unarranged overdraft. He said that the reason for this is that the direct debits which were set up under the DDG, to be debited on 20 January, had been taken (whether they were earmarked, pending or borrowed) and deducted as a negative balance on his account and therefore he couldn't use his available money on 19 January to pay for petrol and other items he needed at the time.

As my findings differed in some respects from our investigator's, I issued a provisional decision to give both parties the opportunity to consider things further. This is set out below:

*"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.*

*Mr A has made a number of points to this service and I've considered and read everything he's sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of his complaint in deciding what's fair and reasonable here.*

*I'd like to emphasise that this service is not the regulator. Nor do we act as the enforcer for the regulator. The regulator is the Financial Conduct Authority. Our service acts as an informal dispute resolution service for complaints about financial businesses. So I must be clear to Mr A from the outset that I'm unable to instruct Santander to change their direct debit process.*

*I've noted the strength of feeling that Mr A has about what happened here. I've read all about his circumstances on 19 January, so I can understand the frustration he would have went through here. I can also see that there appears to have been several explanations given to him, which could have confused the situation, leading to Mr A being further frustrated.*

*There's no doubt that Mr A was in an unauthorised overdraft on 19 January. I've seen the evidence, and I don't dispute what Mr A has told us here. There may be some technicalities which has also confused matters, so I'll try and clear these up here. I know this won't change what happened on 19 January, but it may help Mr A understand what likely happened and what could happen in the future.*

*I've also looked at what Santander's general terms and conditions say about direct debits. Section 6.10 of the terms and conditions states that "Automatic payments, such as Direct Debits and standing orders, are usually taken from your account at the beginning of the Working Day that they are due." I know Mr A disputes that the direct debits were taken from his account on 20 January as his balance on the evening of 19 January showed that he was in an unarranged overdraft due to the direct debits being taken from his available balance.*

*But the reason why Mr A's account was showing as an unarranged overdraft on the evening of 19 January is because the funds for his direct debit had been ringfenced. I know other words have been used for this such as withheld, earmarked or pending, but effectively, it is the same thing. The money was taken from the available balance to ensure the direct debits were paid the following day. This is why he was shown in an unarranged overdraft, as his available balance had accounted for the ringfenced direct debits. As this is not explicitly*

*stated in the terms and conditions that this can happen, then I can understand why Mr A would have not been aware that this could happen.*

*But I'm satisfied that the direct debits actually left his account on the day they were supposed to. This is why they show as leaving the account on 20 January. I know Mr A may dispute this, as his statements he sent us on 19 January show that the direct debit has left his account already on 20 January. But here, I'm persuaded that Santander are showing that the direct debits would physically leave his account on 20 January. As they had already ringfenced this money, then they would be aware that it would be physically leaving his account the following day and this is reflected on his transactions – even if it is shown the evening before this physically left his account.*

*I'm not persuaded there is any detriment to Mr A for Santander showing when the funds would be leaving his account on the day after, when the funds had been ringfenced and accounted for in his available balance on 19 January, although I can understand why this would be confusing for Mr A especially as the crux of his complaint is that he believed he would have access to his money when he was aware the direct debits were going to be debited from his account the following day.*

*In addition, Mr A has highlighted that this doesn't always happen with his direct debits. He has said that it happened before, but it didn't affect him as he had money in his account. And it happened the following day (20 January) when it appeared the direct debit left his account the day early, but again this didn't affect him as he had been paid that day. Mr A said on his complaint form to our service that since he complained about the issue, no direct debits have been taken early again.*

*So I've considered why this would sometimes happen and sometimes not happen. Based on the Bankers' Automated Clearing System (BACS) cycle for direct debits, which our investigator explained to Mr A, this is a three day process. The direct debit company would submit a payment for BACS for a processing cycle on day one. On day two, these files are delivered to the recipient bank, which they then process each payment and day three is where payments are simultaneously debited from Mr A's account and credited to the third party account.*

*Santander have told us that some direct debits are collected during overnight processing. They said that the accounting date for transactions changes at approximately 8.15pm each evening, and payment batches for the next day begin processing after this time. Santander said that if the batches for other transactions are completed due to low volumes, then the direct debit batch may begin on the evening before the payment is due. This could also show for the customer from this time. Santander have said that the payment will still be made on the scheduled payment date, and the transaction will show with the correct value date on the movements (Mr A's statement).*

*So I'm satisfied that this is the reason that sometimes the processing of the direct debit - which is different to the direct debit physically leaving the account (although from Mr A's point of view, this will still result in a reduction of his available balance as the direct debits are ringfenced and he still wouldn't be able to use the money), shows sometimes on his account on the night before (after 8:15pm although it could be later that evening).*

*As I've previously mentioned, I'm unable to ask a business to change their processes. I know Mr A wants Santander to ensure this doesn't happen again, but I can't guarantee this. And ultimately, regardless of whether this was Santander's fault or the direct debit companies fault, the same situation could happen again. And it also could occur at a third party bank. So as Mr A is now aware of how the direct debits are processed, he may wish to change his direct debit date to a date after his salary credits the account – although this may*

*not prevent a direct debit being ringfenced the night before it is due, based on what I've already explained.*

*I've considered what Mr A has said about the DDG scheme. But I don't think it would have been in Mr A's interests to go down this route and I'll explain why. As I've already explained, the direct debit itself was physically taken from Mr A's account on the correct day based on the BACS cycle, even if it may appear that it came out the night before, so Mr A would not be eligible for the DDG scheme here as there was no error on the collection date.*

*But even if Santander raised a refund claim for him, as the third party company would have been owed this money, they would have taken it from Mr A's account at a later date, which could have caused more inconvenience to him. In addition to this, if any of the direct debits were for borrowing or insurance, Mr A may have broken the agreements if he had a refund of the payment. And in turn this could've been reported on his credit file as a missed/late payment for borrowings, which could affect his ability to obtain credit in the future. In the event of an insurance payment being missed, this could have ended his insurance contract if the insurer did not receive the payment by a certain date.*

*I've considered whether Santander have treated Mr A as I would have expected them to, given the individual circumstances of what happened here. And I'm not persuaded that they have. The explanations they gave to Mr A on occasion weren't clear and this caused him further frustration and appeared to be contradictory. And I'll explain why.*

*Mr A was told by a chat agent that "Most banks take (a direct debit) a day early, to then give the merchant on the day they expect it." But this would contradict what another chat agent told him that the direct debit "debts when (a) company claims it". So initially it would appear Santander take an active control of taking the money a day early so they could give it to the company on the day they expect it. But then for Mr A to be told the direct debit debits his account when the company claims it, is not the same as what he was previously told. Then he was told "The bank does not control the collection of direct debits, we only facilitate it."*

*So Mr A had been given three separate explanations for what happened here, which aren't similar. It is also suggested to him that he may want to discuss the collection date with the direct debit companies themselves. But no matter what date the direct debits were set up, this wouldn't stop the direct debit being ringfenced the night before on occasion, which is the crux of Mr A's complaint.*

*So when Mr A rang the direct debit companies involved and they all informed him this was a Santander error, including a bank he spoke to, this further reinforced to Mr A that Santander were debiting the direct debit earlier than it had been agreed, especially when he had been told by a third party that the error occurred when Santander ran their direct debit files early.*

*If the full explanation had been given to Mr A initially that some direct debits were collected during overnight processing and that the accounting date for transactions changes at approximately 8.15pm each evening, and payment batches for the next day begin processing after this time. And if he was told that the batches for other transactions are completed due to low volumes, then the direct debit batch may begin on the evening before the payment is due, which could also show for him at this time, then Mr A would have had a definitive answer of what happened, even if he may have not liked the explanation.*

*Then Mr A would not have needed to talk to the direct debit companies or be under the impression that he just needed to complete a refund claim under the DDG scheme, which could have caused serious consequences for him. But because he was given different reasons of what happened, this led to further inconvenience for him.*

*So what I think would be fair here, is that Santander recognise the inconvenience that they caused Mr A, who I would not expect to be familiar with the technicalities of how a direct debit is processed and to provide him compensation for the inconvenience they have caused him. I'm persuaded that £75 would reflect the inconvenience that they have caused Mr A for the reasons I've already given. So it follows I intend to ask Santander to put things right."*

I invited both parties to let me have any further submissions before I reached a final decision. Santander accepted the provisional decision. Mr A did not respond to the provisional 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.

As neither party have provided me with any further information to consider, then my decision and reasoning remains the same as in my provisional decision.

### **Putting things right**

In my provisional decision I said I intend to uphold this complaint. I said I intend to ask Santander UK Plc to pay Mr A £75 for inconvenience. I'm still satisfied this is a fair outcome for the reasons given previously.

### **My final decision**

My final decision is that I uphold this complaint. Santander UK Plc should settle the complaint in line with the instructions in the *"putting things right"* section above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 29 December 2022.

Gregory Sloanes  
**Ombudsman**