

## **The complaint**

Mrs R complains that HSBC UK Bank Plc (trading as first direct) processed a direct debit payment in error.

## **What happened**

Mrs R said her mobile network provider, incorrectly took a payment of £53.61 from her current account after she changed providers. Mrs R raised it with First Direct and had the payment refunded. Mrs R said she cancelled the direct debit, contacted the network provider for the correct figure and made a payment directly to them. However, First Direct later reversed the payment because it said the network provider had provided proof that the payment was owed.

Mrs R complained and First Direct said the direct debit guarantee doesn't cover disputes with the beneficiary. It also said that if the beneficiary has claimed in accordance with the agreement made and it is within the scheme rules, then it isn't a valid reason to reclaim a historic payment on the direct debit guarantee.

Mrs R didn't accept what First Direct said and brought her complaint to us. Mrs R said the documentation she had from the network provider showed the account was settled in full. She complained that she had no help from First Direct in resolving the matter.

Our investigator didn't think the complaint should be upheld. She thought the evidence suggested it was a contractual issue rather than a bank or business error. Our investigator said she was satisfied First Direct handled the claim correctly.

Mrs R doesn't agree with our investigator and says the invoice from the network provider was not correct and her balance with them was nil. Mrs R says First Direct didn't have a direct debit mandate in place, and without consulting her worked with the network provider to commit fraudulent activity. Mrs R also says that as a result, she had to spend hours on the phone and in chat with the network provider to have the money refunded.

As an agreement couldn't be reached, the complaints 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 agree with the outcome reached by the investigator, and for similar reasons.

What I have considered here is whether First Direct treated Mrs R fairly in the particular circumstances of this complaint, I find it did and I'll explain why.

The direct debit guarantee service is there to protect account holders and entitles them to a full and immediate refund from their bank if a mistake has been made by the direct debit originator, for example if a payment is taken on the wrong date or for the wrong amount.

Importantly, its not there to deal with contractual disputes and can't be used for this purpose.

When Mrs R made First Direct aware of the issue she had, it raised a direct debit indemnity claim under the direct debit guarantee and I can see it refunded the payment to Mrs R the same day. I note that in the phone call Mrs R had with First Direct, it was explained that the payment could be debited from her account if it was found that no error occurred.

I think it might be helpful to explain that it's the direct debit originator – in this case the mobile network provider, who sets up the direct debit via a system known as the Automated Direct Debit Instruction Service (AUDDIS). It is therefore the network provider who hold the direct debit mandate authorised by Mrs R when she first entered into a service agreement with them. When they disputed Mrs R's claim, they provided First Direct with evidence that showed she had previously agreed to the direct debit instructions.

The network provider also gave evidence of the bill which showed £53.61 was owing. I appreciate Mrs R says this bill wasn't correct, but where First Direct has been provided proof of her agreement to the direct debit and proof of the bill, I don't think it was unreasonable for it to accept this information and reverse the payment.

I understand Mrs R says she had already changed providers and paid the outstanding amount, but it appears this was before a final bill could be calculated and I can see from her online chat with the network provider, that Mrs R was told she needed to wait for the bill to be generated before a refund could be processed if one was due.

As I mentioned above, the direct debit guarantee can't be used to address contractual disputes with the network provider. And I find this was a dispute between Mrs R and her network provider and that's something that she needed to resolve with them directly, as she has since done. As such, I don't find First Direct did anything wrong when it reversed the refund or in its handling of Mrs R's direct debit indemnity claim.

### **My final decision**

For the reasons mentioned above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 8 March 2024.

Oluwatobi Balogun  
**Ombudsman**