

The complaint

Miss G complains that Lloyds Bank PLC (“Lloyds”) rejected a direct debit (“DD”) indemnity claim she submitted going against the direct debit guarantee.

What happened

In February 2018 a direct debit authority for a merchant (the “originator”) was granted to take a monthly DD from Miss G’s bank account with Lloyds. Varying amounts have been taken from Miss G’s account by the originator since which Miss G says she didn’t agree to.

Miss G submitted an indemnity claim to Lloyds regarding this DD authority for the period its been active. Lloyds rejected the claim and advised Miss G to contact the originator. Miss G complained, she says she is entitled to a refund under the direct debit guarantee.

Lloyds says it checked the details of the direct debit authority which looked correct and paid for a service that Miss G received and so no error had been found. Lloyds explained that a DD guarantee doesn’t always mean a customer will get their money back as they have to meet the criteria and in this instance Miss G didn’t and so the claim was rejected.

Furthermore, Lloyds felt if Miss G hadn’t authorised the DD then it would’ve expected her to contact it sooner than she did. Lloyds also notes that on numerous occasions it sent out letters to her when the direct debit had been returned which would’ve brought to her attention the existence of it.

Miss G was dissatisfied with this and brought her complaint to this service. She says Lloyds have not complied with the direct debit guarantee and that she received a partial refund in May 2023 and so she can’t see why she wouldn’t be entitled to a refund of all the payments. Miss G says she suffered with mental health issues and she never noticed the payments prior to this and never agreed to the direct debit.

One of our investigators looked into her concerns but didn’t think Lloyds had treated her unfairly. Given the time that had passed since the DD had been in place, they thought it reasonable for Lloyds to request further information surrounding the DD indemnity to ensure the claim was legitimate before processing it and as no error had been found to occur a refund wasn’t due.

They also explained that as the direct debit guarantee doesn’t deal with contractual disputes between the consumer and the originator and it isn’t the responsibility of Lloyds to rectify any dispute between the two parties. If Miss G wasn’t aware of the variation in the amount and dates of the DD’s, then she would need to raise this with the originator.

Miss G disagreed. She says as the wording of the direct debit guarantee says immediate refund and as such that is what she was entitled to and 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 Miss G's complaint.

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

As outlined above Miss G is unhappy that Lloyds refused to process a refund of all DD payments made since 2018 under the direct debit guarantee.

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 billing merchant.

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 Miss G unfairly by not submitting a direct debit indemnity claim when Miss G asked it to.

And I don't think Lloyds did treat Miss G unfairly - as it wasn't able to establish from the information it had whether there had been a payment error. Indeed, the DD authority was set up for a service Miss G was receiving and had been paid for regularly for a number of years without Miss G querying it. So I don't think it was unreasonable or unfair of Lloyds to seek further information to ensure the scheme was being used for its intended purpose or for declining to process the DD indemnity on the basis that it didn't think the eligibility criteria had been met.

Miss G says she received a partial refund and so can't see why she isn't entitled to a refund of the lot. But the refund she received came from the merchant and was not actioned through a direct debit indemnity claim. Miss G says that she never authorised the DD and wasn't aware of the payments prior to raising her complaint. I appreciate it has been some time since the DD was set up and so Miss G might not remember authorising the instruction. But from the information I've seen I'm satisfied that the payment relates to a service Miss G receives and that no error has been made.

Furthermore, 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 Miss G is disputing the amount or frequency of the DD, she needs to raise this with the merchant.

So overall, I don't think Lloyds has made an error or treated Miss G unfairly by not agreeing to process the DDI based on the information it had and so it follows that I do not uphold Miss G's complaint.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 14 March 2024.

Caroline Davies
Ombudsman