

The complaint

Mr F is unhappy that Sainsbury's Bank Plc collected a payment after he had cleared his credit card balance.

What happened

Mr F had a credit card with Sainsbury's and had a direct debit set up to pay £200 off the balance every month. In December 2022, the direct debit was taken and the balance of the card was cleared, which is what Mr F expected as he had a balance transfer period that ended at this point. At this stage he believed that his direct debit had been cancelled. No further direct debits were taken until May 2023 when Mr F received his statement which showed an outstanding balance. Mr F made a manual payment to clear the balance – but a few days later, the direct debit was still taken for £200.

Mr F complained to Sainsbury's about this. It explained that the direct debit on Mr F's account was set up in October 2018 for £200 a month and that he confirmed that this is how he wanted to make payments to the account. The direct debit would be taken every month even if other payments are made. If a direct debit is set up then Sainsbury's will ensure that it isn't taken if a customer has a credit balance. Sainsbury's said it had never told Mr F that the direct debit would cancel when the balance transfer period came to an end.

Mr F was unhappy with Sainsbury's response and brought his complaint to this service. One of our investigators looked into it but decided that Sainsbury's hadn't made an error. Mr F disagreed, saying (in summary) that he couldn't have been aware the direct debit was still in place and that Sainsbury's should have reviewed the mandates it had in place for him to make sure they met his needs. So the complaint was passed to an ombudsman 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.

I've heard the call from October 2018 in which Mr F set up the direct debit in question. Mr F's instruction was to pay £200 each month to the credit card. That arrangement continued until the balance transfer period on the card ended in December 2022. Sainsbury's has explained that it didn't take any direct debits after this point because the account had a zero balance and any direct debit taken would have resulted in a credit balance on Mr F's card. I think that's a fair explanation.

It seems like what happened next is a genuine misunderstanding. Mr F believed that as of December 2022, his direct debit had been cancelled. In his view, this was supported by the fact that no direct debits were taken in the months that followed. He then used the card again in May 2023 and made a manual payment in the understanding that this would be the only payment made. But the direct debit instruction was still active in the background and so Sainsbury's still took the payment.

The direct debit confirmation Sainsbury's sent Mr F in October 2018 shows that it will keep

making the direct debit until Mr F tells it not to and that the direct debit will be collected every month even if Mr F makes an additional payment. Sainsbury's has confirmed that a direct debit is only cancelled if a customer instructs it, or if a customer holds a nil balance for 13 months. This means Sainsbury's didn't make a mistake in collecting the direct debit in May 2023. In doing so, it was only acting in line with the direct debit agreement it had in place for Mr F and so acted correctly.

So I've gone on to consider whether Sainsbury's can be fairly held liable for Mr F's understanding that the direct debit wouldn't be collected when he made a manual payment. Mr F started using the card again during the relevant period and he clearly knew that a payment needed to be made. Mr F made a manual payment on 26 May 2023 and clearly believed this was the only payment needed and that would be collected. But his statement for May 2023 also confirms that a direct debit for £200 would be collected on 29 May 2023 – which I think is reasonable to bring to his attention that the direct debit would still be taken.

I also have to consider that Sainsbury's never told him that this direct debit had been cancelled. In fact, the statement confirmed that it was still due to be taken, which I think is reasonable confirmation that the direct debit was still in place and would be collected. I realise that Mr F no doubt thought that his payment made on 26 May 2023 would be the sole payment taken, but I don't think it'd be fair to say that Sainsbury's can be held responsible for that.

Sainsbury's then advised Mr F to claim the payment back through the Direct Debit Guarantee. I realise that Mr F may have viewed this as dismissive, or perhaps as meaning that he'd have to unnecessarily engage with a different process to get his money back. But what Sainsbury's told him is a valid and correct way of trying to reclaim a payment like this.

Mr F has said that Sainsbury's has breached codes and regulations in not reviewing the direct debit mandate on an annual basis. I've considered Mr F's point, although he hasn't been specific about what codes or regulations have been breached here. In any event I'm not aware of anything in the relevant codes and rules that mean Sainsbury's should have acted any differently here. Nor have I seen anything in the terms of the account which imply that it would do what Mr F thinks it should have here. Overall, I'm satisfied Sainsbury's has acted fairly and reasonably in taking the direct debit.

Mr F has also raised concerns around the customer service provided when he raised this issue with Sainsbury's – saying that it didn't apologise and that it 'mocked' him when he raised the problem he'd had. Sainsbury's maintains that it hadn't acted in error and so didn't apologise – which I think is fair. In respect of how Mr F was spoken to, it's clear that he's unhappy with that and, having considered what he's told us about what was said – I can see why. But ultimately, I'm satisfied that Sainsbury's hasn't acted unfairly in processing the direct debit here and even if its customer service could have been better at points – I don't think this means it needs to take any further action.

My final decision

My final decision is that I don't uphold this complaint.

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

James Staples
Ombudsman