

The complaint

Miss M is unhappy that Lloyds Bank PLC declined her direct debit indemnity claim.

What happened

In 2023 Miss M contacted Lloyds to refund 12 monthly payments which had been taken from her account by a mortgage provider I'll call H, between 2018 to 2019. Miss M said the payments were taken in error and she did not have an account with H.

Lloyds declined the indemnity claim. Miss M complained that it ought to have provided a conditional refund while it investigated. In response, Lloyds said it completes plausibility checks before processing an indemnity claim, and it was deemed reasonable that Miss M would have noticed the direct debit payments to H at the time. And it told Miss M to contact H's mortgages department directly to settle the matter.

Miss M didn't agree and brought her complaint to our service. Our investigator didn't think it should be upheld and said that she was satisfied that Lloyds was not obliged to refund the payments immediately without question. Our investigator explained that in most circumstances she might expect Lloyds to make an immediate refund as most genuine payment errors usually come to light relatively quickly. But, in this case, as several years had passed, she thought it called the claim into question.

In response to our investigator's view Miss M says Lloyds are responsible for upholding their end of the agreement under the direct debit guarantee and there is no time frame to make a claim. Miss M says she has not been provided with evidence from Lloyds to support declining the claim which she thinks is a breach of its duty of care. Miss M says her claim isn't a contractual dispute as there was no contract in place with H. Miss M also says Lloyds released her funds without her consent, and it should be dealing with the matter.

As an agreement could not be reached, the complaint has 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.

Firstly, I want to reassure Miss M that I've taken into account everything she has said. However, I haven't commented on it all here, instead I've focused on explaining what I think is key to the decision I've reached. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome.

What I have thought about is whether Lloyds treated Miss M fairly in the particular circumstances of this complaint. Overall, I find it did and I'll explain why.

I think it would be helpful to explain that all banks and building societies use a system known

as AUDDIS (Automated Direct Debit Instruction Service). More information can be found [here](#) on the website. But in summary, this means it's the direct debit originator – in this case H who set up the direct debit rather than Lloyds.

Miss M says she did not enter into a contract with H, and has asked for evidence of the agreement she made for the payments, but – in light of the above, I'm satisfied Lloyds doesn't hold the signed direct debit mandate or agreement, that would be the responsibility of H as it was collecting the payments. I therefore wouldn't expect Lloyds to be able to provide this information to Miss M.

The Direct Debit Guarantee applies to all direct debits and the terms and conditions say that it provides protection in case a mistake is made, for instance if a payment is taken on the wrong day, or the wrong amount is collected. However, it cannot be used to address contractual disputes between a consumer and the billing organisation.

It's not in dispute that H claimed payments over a period of 12 months before the direct debit was eventually cancelled in 2019, and Miss M didn't challenge the payment until several years later. I appreciate Miss M says this wasn't her main account and she was not aware that the payments were being taken, but I think it's reasonable to expect Miss M to have monitored her account or at the very least checked it periodically over the years. Particularly as the statements show Miss M had a regular income paid into the account, and regularly carried out other transactions on the account throughout this period. Also considering the value of the payments, had the direct debit been taken in error, I consider it reasonable that Miss M would have been aware relatively quickly, and raised this matter with Lloyds sooner. So, I don't think it's unreasonable that Miss M's claim raised questions for Lloyds.

The direct debit guarantee enables account holders to receive an immediate refund from their bank in certain, but not all, circumstances. It requires that an error is made in the payment of the direct debit, and I've not seen enough to persuade me that was the case here. As several years have passed since the payments were taken, I do not find it unreasonable that Lloyds questioned the plausibility of Miss M's indemnity claim. And I'm satisfied it wasn't obliged to provide a refund immediately. I find it was reasonable for Lloyds to ask Miss M to contact H about the matter in the first instance.

I understand that Miss M says H would not discuss it with her as she does not have an account with them. If Miss M wishes to pursue it, she may want to provide H with evidence of the payments, as they appear on her statements and show the associated payment reference number. This may help it locate either the agreement or at the very least the payments they collected.

I know this will come as a disappointment to Miss M as having reviewed her case I understand how strongly she feels about the matter. But overall, I'm satisfied Lloyds treated her fairly and reasonably in the circumstances.

My final decision

For the reasons I have given above, my decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 26 April 2024.

Oluwatobi Balogun
Ombudsman