

The complaint

Mr G complains that Lloyds Bank PLC won't refund to him money paid from his account using direct debit over several years.

What happened

Mr G complained to Lloyds about payments that his local council had collected by direct debit from his bank account between 2020 to 2023. He said the amounts and the dates the payments had been taken were wrong. He asked for a full and immediate refund.

Lloyds said there was no sufficient reason to refund Mr G due to the amount of time the direct debit was active, and it was reasonable for him to have raised this issue much sooner. Lloyds said the direct debit was set up using AUDDIS (Automated Direct Debit Instruction Scheme), which uses extra checks to confirm the details were correct. It said Mr G should take the issue up with the council.

Unhappy with the outcome, Mr G came to us. In summary, he said he thought his partner had set up the direct debit in 2020 when they'd moved into their home, but she has since told him that's not the case. He assumes the council might have his details from a previous address, but the direct debit was set up in error without his consent or knowledge. He is not paying his council tax any other way. He raised the issue with the council, but it referred him to the bank. He says he doesn't have a "*contract*" with the council.

Our Investigator didn't uphold Mr G's complaint. He said Lloyds had been able to ask Mr G for a valid reason to start its investigation for payments that had been set up using AUDDIS and had been taken since 2020. Mr G should take the matter up with the council.

Mr G disagreed and asked for an Ombudsman's review. He said "*I don't pay Council Tax. It's all a scam & it's all fraud, that's why I didn't set it up in the first place.*" Mr G restated his earlier points that he should not have to provide any evidence to the bank. He says he is entitled to a full and immediate refund under the direct debit guarantee.

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.

Mr G initially said the amounts should have been £126 on the 21st of each month, and that the payments actually taken over the period varied both in amounts and dates. He also said he didn't receive the required 10 days' notice of changes. But he was not able to send us any correspondence with the council to support his claim. And he then said the money was taken from his account without any valid direct debit authority.

It's not clear to me why Mr G told Lloyds that payments had been taken on different dates and for different amounts than notified to him if he did not have any correspondence with the council that he could send to us.

But I have considered whether the direct debit guarantee was intended to be used in the way Mr G has sought to apply it here. In particular, he says the direct debit guarantee requires the bank to give him a “*full and immediate refund*” of the payments taken by the council.

The wording of the direct debit scheme by the operator (Bacs) says “***if an error is made in the payment of your Direct Debit*** [my emphasis] *by the organisation or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society*”.

I consider Lloyds was entitled to ask Mr G for further information. In doing so, I think the bank was trying to establish it had valid grounds to apply the guarantee. Like our Investigator, I don't think that was an unreasonable approach for the bank to take.

The direct debit guarantee enables account holders to receive an immediate refund from their bank in certain – but by no means all – circumstances. Its purpose is to provide protection to customers who have provided originators with access to their accounts in order to collect money. But most genuine errors in payments will usually come to light relatively quickly. Where that's the case, in most circumstances I might expect the bank to refund immediately. But where several years have elapsed and inconsistent information is provided, as here, I think that does call into question whether the claim is genuine. In those circumstances, I'm satisfied the bank is not obliged to refund immediately and without question, as Mr G suggests.

In my view, the guarantee wording I've highlighted above clearly means that the entitlement to a refund isn't absolute. It requires that an error is made in the payment of the direct debit. Lloyds has quite reasonably asked Mr G for further evidence so that it can investigate whether an error was made. Based on what I've seen, I don't think a fair way to resolve this dispute is for me to simply require Lloyds to refund Mr G.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 3 July 2024.

Amanda Maycock
Ombudsman