

The complaint

Mr J complains that Coventry Building Society (CBS) allowed a direct debit to be debited from his account without consent, and they did not provide him a refund under the Direct Debit Guarantee (DDG) scheme.

What happened

Mr J says he contacted CBS on 23 October 2023 as he noticed a significant withdrawal on his account, and he was told that a direct debit payment had been taken by his energy supplier. Mr J says he had cancelled the direct debit in May 2023. As his energy supplier didn't rectify this, Mr J contacted CBS and he was informed they would raise a refund request under the DDG scheme, but this was later rejected by CBS as they told Mr J that his energy supplier contacted CBS directly stating they were actively dealing with the dispute, and any refund will be processed by his energy supplier. Mr J made a complaint to CBS.

CBS did not uphold Mr J's complaint. They said his energy supplier reinstated the direct debit on 21 September 2023, and that's how the direct debit was claimed. They said whilst they can put things in place to cancel a direct debit, they're unable to prevent them from reinstating a direct debit, but companies should make him aware of this before doing so. CBS declined the refund request under the DDG scheme as they said his energy supplier had contacted them stating that any refund due to Mr J would be processed by them. He said CBS have failed to acknowledge he didn't consent to the direct debit being reinstated. Mr J brought his complaint to our service.

CBS offered to resolve the complaint with an offer of £250 compensation as they had told Mr J incorrect information about CBS having to set up a new direct debit to collect the payment. Mr J rejected this offer of compensation. He said he wants an acknowledgement from CBS that they gave him wrong information, and he wanted an apology from them, not from them doing this through our service. He wanted CBS to pay him the £1,842 that was debited from his account.

Our investigator upheld Mr J's complaint. She said on 21 September 2023, his energy supplier reinstated the direct debit mandate using the original reference number via the Automated Direct Debit Instruction Service (AUDDIS) previously cancelled mandate. She said CBS processed this on the understanding that there was a valid agreement between Mr J and his energy supplier. Mr J asked for an ombudsman to review his complaint.

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.

Firstly, I'm aware that I've only summarised Mr J's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I'd like to explain to Mr J that it is not within this service's remit to tell a business how they should run their policies and procedures, such as if they should notify a customer when they receive an instruction to collect a direct debit – even if this direct debit had previously been cancelled. It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct CBS to make changes to their policies and procedures, if necessary.

As Mr J is aware, I can only consider the actions of CBS as part of this complaint, and not his energy supplier, as his energy supplier does not come under our jurisdiction. If Mr J has further concerns after this decision about his energy supplier, then he may wish to make a complaint with his energy provider, and if he is not happy with their response, he may be able to take a complaint about his energy supplier to the Energy Ombudsman.

Mr J cancelled the direct debit to his energy supplier in May 2023, so he would not expect future payments to be collected from his energy supplier via direct debit without his consent. Especially as he received a letter dated 19 May 2023 confirming that his direct debit to them had been cancelled. But Mr J says that this is what happened when his energy supplier debited £1,842.03 from his CBS account.

After reviewing CBS' system screenshots of the direct debit, I can see that this was a reinstatement of the previously cancelled direct debit. CBS had received the direct debit instruction from the energy supplier via AUDDIS. So it was not a CBS error that Mr J's direct debit was reinstated, as the energy supplier sent the request to CBS. The energy supplier should have only done this with Mr J's consent.

I've reviewed the direct debit website which sets out "*who does what*". I've included the weblink to this section on the cover letter with this decision, so Mr J can view the wording himself if he wishes. Included in this section is the following "*The organisation sends that Instruction to your bank, which tells them you have given your authority for the bank to make the payments to that organisation. When a payment is due, the organisation asks the bank to send it to them. Because they have your permission (your authority), the bank sends the money.*"

CBS aren't obliged to contact Mr J for his permission to reinstate (or set up) a direct debit. This is because the responsibility would be on the energy supplier to gain Mr J's consent. On the same webpage as the section in the previous paragraph, it also says "*it is the biller's responsibility to send the communication via the channel you have agreed with them. To note, missing the communication is not grounds for a refund.*" So this confirms that his energy supplier should have sent him an advance notice of the amount and date of the direct debit.

I've also reviewed the terms and conditions of the CBS account. Here it also shows on page 18 that for direct debits "*you arrange it with the organisation you want to pay*". Page 42 of the terms say direct debits are "*a way of transferring money between accounts after a request from the bank or building society of the person or organisation receiving the payment. These are managed in line with the UK Direct Debit Scheme.*" So there is no commitment from CBS that they will contact a customer before setting up or reinstating a direct debit on their account.

CBS have also confirmed to me that the set up/reinstatement of a direct debit is all processed electronically via the Bankers' Automated Clearing System (BACS), so apart from the electronic request (to set the direct debit up or reinstate it) needing to quote a valid CBS account number for the customer, there are no other checks. They said service users who use the paperless direct debit service must be AUDDIS compliant and they operate on the basis that they've obtained the appropriate authorisation from their customer for the direct

debit to be set up. If the paying account number quoted matches what they hold on their records, the instruction is set up on the customer's account and becomes an active mandate.

I appreciate that Mr J has strong feelings about this issue, and he feels CBS is complicit in the £1,842.03 being given to his energy provider, and they shouldn't have honoured this. But CBS would be unaware that Mr J hadn't consented to the payment (until he told them he didn't consent to the direct debit after the payment was debited from his account). So while I have a great level of empathy for the position Mr J found himself in, I'm persuaded that CBS acted in good faith based on the request they received from the energy company.

I've then considered what happened when Mr J asked CBS to refund the payment under the DDG scheme. The terms of the account references the DDG on page 28: *"If a Direct Debit is taken incorrectly, contact us and we'll arrange a refund under the Direct Debit Guarantee Scheme"*. CBS raised a refund request for Mr J, but they rejected the refund. The reason they gave Mr J was his energy supplier *"contacted us directly in response of the Direct Debit indemnity claim, stating that they are actively dealing with the dispute with yourself and any refund due is being processed by them"*.

So I asked CBS for the evidence from Mr J's energy supplier where they said this, as my understanding is that Mr J hadn't contacted his energy supplier at the time this was raised with CBS. CBS told me that after reviewing the matter with their Payment and Cards team, they do not have any specific correspondence from the energy supplier indicating they'd contacted CBS directly to confirm they were actively dealing with the dispute. They've admitted that the problem in this case lies in the fact that their team didn't correctly note the information provided by the branch as to Mr J's reason for claiming under the DDG.

CBS acknowledge now that they should have acted on Mr J's refund request under the DDG scheme. So as they didn't do this when Mr J asked them to do this, they caused him distress. Their response in their letter dated 3 November 2023 would cause further distress for him, considering the information in this letter wasn't accurate. The letter also told him to contact his energy supplier, so Mr J would have been inconvenienced to do this.

CBS also told Mr J further incorrect information in their final response to his complaint including telling him that they weren't able to send any payments using the original direct debit details that he's cancelled, and they reiterated that the energy supplier contacted them about his claim stating that any refund due to him would be processed by them.

I know Mr J feels that CBS should pay him the £1,842.03 that was debited from his account. But as they don't hold this money, it would not be proportionate for me to ask them to pay this as compensation. However, if the energy supplier has not refunded him any money he was due as a result of them reinstating the direct debit without Mr J's consent, then CBS have confirmed to me that they'd be happy to raise a refund request for the September 2023 payment if required. Mr J will need to contact CBS to do this.

I've considered what would be a fair outcome for this complaint. CBS did not follow the DDG scheme here. They should have processed the refund request based on what Mr J told them. They also gave him incorrect information, caused him distress, and inconvenience. But the £250 that they offered him is in line with our awards for what happened here, and £250 is in line with what I would have awarded him if CBS had not offered him any compensation.

I know Mr J has previously rejected this level of compensation, but I must explain to him that our awards are not designed to punish a business or to make them change the way they act in order to protect other customers in the future. That is the role of the regulator. We

sometimes award compensation if we feel that a business has acted wrongfully and therefore caused distress and inconvenience to their customer over and above that which naturally flows from the event.

I've noted the strength of feeling that Mr J has that CBS haven't apologised directly to him about the incorrect information they've told him. So I think it would be proportionate for CBS to not only pay Mr J £250 for distress and inconvenience, but to also write him a letter of apology, acknowledging that they told him incorrect information. So it follows CBS should put things right for Mr J.

Putting things right

CBS should pay Mr J £250 and write him a letter of apology acknowledging they told him incorrect information, which I think is reasonable in the circumstances.

My final decision

I uphold this complaint. Coventry Building Society should pay Mr J £250 and write him a letter of apology acknowledging they told him incorrect information.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 22 July 2024.

Gregory Sloanes
Ombudsman