

The complaint

Mr R and Mrs R complain about the service they received from Lloyds Bank PLC (“Lloyds”) in relation to cancellation of a Direct Debit and related issues.

What happened

Mr R and Mrs R hold a joint account with Lloyds. There were several Direct Debits set up on the account, including one to a business which I’ll call V. Mr R and Mrs R had some problems with V so, in November 2023, they went into a branch of Lloyds and cancelled the Direct Debit. But they say that payments to V continued. They went back to the branch in March to discuss the issue.

They spoke to a manager and were advised that nothing could be done as they had a contract with V. Mr R says he asked if Lloyds could cancel his debit card to stop the Direct Debit. He says the manager said yes and confirmed that other Direct Debits on the account would be unaffected. The manager ordered a new card and Mr R says he was told that the PIN would remain the same.

But Mr R and Mrs R say the advice from the manager turned out to be wrong. They say that all their Direct Debits were cancelled. And a new PIN was ordered, which didn’t arrive until around three weeks after the new card.

In addition, Mr R and Mrs R say they were treated very badly in the branch. They say that the manager was disrespectful and unhelpful. Their overall experience was unpleasant and they say they could have done without all these problems at their age.

When Mr R and Mrs R complained, Lloyds apologised for the poor service and paid them £40 as an apology for the inconvenience caused. It advised them to contact the relevant businesses so that the Direct Debits could be reinstated.

Mr R and Mrs R weren’t happy with Lloyds’ response and brought the complaint to this service. Our Investigator didn’t think Lloyds needed to do any more. But Mr R and Mrs R didn’t agree and asked for the complaint to be reviewed by an Ombudsman.

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 R and Mrs R feel strongly about this complaint and I can assure them that I’ve taken all their comments into account. But, in writing this decision, I’ve focused on what I consider to be the key points so that I can set out my findings clearly and concisely.

I’m satisfied that the Direct Debit to V was cancelled in November 2023, shortly after that month’s payment had been collected. No further payments were made to V until January 2024, when a payment was made by debit card. So, I’m satisfied that the payments to V were stopped, in line with Mr R and Mrs R’s instructions to Lloyds.

Lloyds says that V reinstated the Direct Debit in late January and claimed a payment at the beginning of March. I'm satisfied that's the case. So, it wasn't an error on Lloyds' part which led to the March payment being collected. I'm satisfied that Lloyds cancelled the new Direct Debit on 13 March at Mrs R's request. No further payments were made to V.

At the same time, Lloyds raised a Direct Debit indemnity claim. This is a claim made under the Direct Debit guarantee, which gives consumers the right to a refund if there is a mistake involving the payment of a Direct Debit. If a payment error is made (either by the bank or the payee), the consumer can claim a refund from their bank. The bank, in turn, will claim the funds back from the payee. Lloyds says it mistakenly raised a claim for all previous payments to V, rather than just the March payment. So, the claim was declined. But Lloyds now says that no claim should have been raised at all. I think that's right; I'll explain why.

The Direct Debit guarantee isn't intended as a way for consumers to reclaim payments where they are in dispute with the payee. It doesn't affect a consumer's contract with the payee. Here, I understand that Mr R and Mrs R were in dispute with V and had an ongoing contract with V at the relevant time. In the circumstances, I don't think the collection of the payment was an error which is covered by the Direct Debit guarantee. If Lloyds had advised Mr R and Mrs R correctly about this, no claim would have been made and they wouldn't have recovered the payment. So, they aren't worse off financially as a result of Lloyds' mistake. But they were given a false expectation that they could recover the funds.

Looking at the other Direct Debits on Mr R and Mrs R's account, I don't find that they were cancelled as a result of the Direct Debit to V being cancelled. Nor were they affected by the change of debit card. Some other Direct Debits were cancelled. But I'm satisfied that this happened at Mr R's request in the branch during visits in March, April and June. So, it wasn't a mistake by Lloyds.

In relation to the PIN for the debit card, I'm satisfied that this was ordered and issued by Lloyds at the same time as the new card. I find that Mr R received the card fairly promptly as he attempted to use it nine days after the branch visit. Unfortunately, the PIN he used was wrong on several attempts, so another PIN was issued. I'm satisfied that Mr R used this successfully a few days later. This was around three weeks after the relevant branch visit. I can understand Mr R's frustration, but I haven't seen anything to indicate this delay was Lloyds' fault. I find that the first PIN was sent, so I can't conclude it was Lloyds' fault that Mr R didn't receive it. Following Mr R's failed attempts to use the new card, I think Lloyds issued another PIN within a reasonable time.

Mr R and Mrs R say they were told that the PIN wouldn't change. But Lloyds says that it's usual for a new PIN to be issued with a new card. I find that it acted in line with its usual process here. But I don't doubt there was confusion around this at the branch meeting.

Turning to the service in the branch, it's clear that Mr R and Mrs R are very unhappy about this and I empathise with their situation. But I'm looking at the complaint impartially, so I've also taken into account Lloyds' comments about this.

Looking at the situation overall, I think it's right that Lloyds apologised to Mr R and Mrs R and I also think some compensation for distress and inconvenience was warranted. Having considered everything carefully, I think the £40 which Lloyds has already paid is enough to reflect the impact of its mistakes here. I'm sorry to disappoint Mr R and Mrs R, but I don't think Lloyds needs to do any more here. That means I'm not going to uphold this complaint.

My final decision

For the reasons above, I don't uphold this complaint.

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

Katy Kidd
Ombudsman