

The complaint

Miss M says Lloyds Bank PLC has treated her unfairly by refusing to raise a claim under the Direct Debit Guarantee.

What happened

Miss M contacted Lloyds to raise a claim under the Direct Debit Guarantee. She wanted Lloyds to refund direct debit payments she'd made to a utility company between 2020 and 2022. She said the Direct Debit Guarantee entitles her to an immediate refund.

Lloyds turned down Miss M's claim both times that she raised it. The bank said Miss M should have been aware of any potential issues sooner given the length of time the claim covered. Miss M didn't agree with the bank's position and made a complaint. She said the bank wasn't following the rules, and its staff were using their own personal judgment which was unprofessional.

Lloyds issued its final response letter in May 2024. It concluded Miss M's claim didn't meet the criteria for the scheme, and suggested that she should contact the utility company directly if she felt she was owed money.

Miss M didn't agree. She said there was no time limit for raising a claim under the Direct Debit Guarantee and asked us to investigate. The matter was considered by one of our Investigators. He didn't think the bank had done anything wrong. He agreed Miss M should contact the utility company directly if she'd not received the service paid for.

Miss M didn't accept the Investigator's view. She said the Direct Debit Guarantee requires a full and immediate refund if an error had been made and Lloyds should honour this. She explained an error has been made because the utility company does not provide energy to her home, they are a broker and energy is provided by the National Grid. She described the payments as a 'global overpayment.'

As no agreement could be reached, the complaint has been referred 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 don't consider Lloyds has acted unfairly to Miss M by not taking her claim any further. I know this is not the news she is hoping for, so I will explain why.

The Direct Debit Guarantee applies to all direct debits. It enables account holders to receive an immediate refund from their bank in certain – but by no means all – circumstances. It protects a customer in the rare event that there is an error in the payment of their direct debit, for instance if a payment is taken on the incorrect date, or the wrong amount is collected. But it cannot be used to address contractual disputes between a customer and the billing organisation.

I'd expect a genuine error with a payment to come to light relatively quickly. Where that's the case, in most circumstances, I might expect a bank or building society to refund immediately. But where several years have elapsed without the payments being challenged, as is the case here, I don't think it was unreasonable for Lloyds to ask for further details to support Miss M's claim that a repeated error with payment has been made. I'm not persuaded Lloyds is obliged to refund immediately and without question. Doing so could even create potentially serious problems for a customer if the originator started to pursue recovery of the money.

I'm satisfied the details of the Direct Debit Guarantee set out that the entitlement to an immediate refund isn't absolute, as Miss M has suggested. The Direct Debit Guarantee makes it clear that a full and immediate refund of the amount paid is only if an error is made. Miss M hasn't provided sufficient evidence that demonstrates that the payments she is now disputing were made in error.

Having considered everything that's been said and provided, Lloyds' approach is not unreasonable, and it is consistent with the Direct Debit Guarantee.

My final decision

My final decision is I don't 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 18 September 2024.

Claire Marsh
Ombudsman