

## **The complaint**

Mr N complains that Bank of Scotland plc trading as Halifax cancelled a direct debit without his knowledge or permission.

## **What happened**

In October 2018, Mr N set up a direct debit instruction on his Halifax account to pay a credit card. In October 2023 he amended the instruction held by his credit card provider to enable it to take the full statement balance the following month.

He subsequently received a message from his credit card company saying that the direct debit had failed to go through when his bank had tried to process it. And when he checked his account, he couldn't see any direct debit in place to pay the credit card.

When Mr N queried this, Halifax said it had no record of a direct debit to his credit card provider on any of his Halifax accounts. It also said there wasn't anything on his account to suggest that Halifax would block a request from the credit card provider to set up the payment.

Unhappy with this response, Mr N brought his complaint to us.

Our investigator didn't uphold Mr N's complaint. He said Halifax had cancelled the direct debit after no payments had been taken by the credit card provider since March 2021. He said this reflected dormancy guidance issued by the Bankers' Automated Clearing System ('Bacs'), the governing body that regulates direct debit payments. So he didn't feel that Halifax had done anything wrong.

Mr N disagreed. He mainly said:

- he wasn't made aware of such a dormancy rule at the time when the direct debit was setup.
- He would've expected to be told about the dormancy period and notified of any change.
- Not being made aware of the dormancy period at the outset and being kept aware of any changes was unfair.
- The dormancy period was extended from 13 months to 31 months due to Covid, but it should never have been cancelled because the last payment of this particular Direct Debit was in March 2021 – and he amended the direct debit within 31 months from that date. So Halifax had cancelled it prematurely in contravention of dormancy rules.
- If the dormancy rule applied, Halifax ought to have informed him about this when he raised a complaint, instead of saying that it didn't have any record of the direct debit.

Mr N 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.

I've carried out an independent review and having done so, I've reached the same conclusion as our investigator. I'll explain my approach and how I've reached my decision.

Whilst I appreciate how strongly Mr N feels about his complaint, I've approached this complaint in a way that reflects the informal service we provide. My role is to consider the evidence presented by the parties and reach an independent, fair and reasonable decision based on the facts of the case and the evidence provided by both sides. In doing so, I may not address every single point or question raised and I've summarised much of what Mr N has said in my own words. But it doesn't mean I haven't considered all the evidence and what's been said – it just means I haven't needed to specifically refer to everything in the same detail as Mr N in order to reach a decision in this case.

In coming to my decisions, I've taken into account the relevant law, regulatory requirements and best industry practice.

The direct debit scheme was set up as an efficient way for organisations to collect payments from customers. The scheme is administered and managed by Bacs. So Halifax must comply with its rules. A direct debit instruction is a customer's authority to allow a third party, in this case Mr N's credit card company, to claim money from his account. The scheme rules also include requirements for direct debit instructions that haven't been used for a long time. These were introduced as a safeguard to protect payers from having direct debit instructions no longer in regular use remaining set up indefinitely to prevent inactive direct debits giving rise to unexpected or unauthorised payments.

Halifax was required to hold Mr N's direct debit instruction on file for a minimum of 13 months, starting from the date it was lodged. I'm satisfied that, if his credit card company hadn't presented a payment request for 13 months and hadn't asked for any extension to the dormancy period, the scheme rules required Halifax to treat the direct debit instruction as having expired. Here, Halifax have provided evidence showing that the direct debit instruction for Mr N's credit card company was set up on 31 October 2018. Payments were taken between December 2018 and March 2021. No further direct debit payments were requested by Mr N's credit card provider after March 2021.

So, I'm unable to say that Halifax did anything wrong by cancelling this direct debit instruction on 2 October 2023 in line with the dormancy rule.

Nonetheless, I'd still expect Halifax to treat Mr N fairly and I appreciate Mr N feels strongly that it was unfair for Halifax to cancel an instruction when it hadn't previously mentioned dormancy - and that it should have told him when it was doing this. But I don't think it would be reasonable to expect banks to include the rules of all the various payment services in their own general account terms and conditions.

I'm unable to look into, or comment on, the actions of Mr N's credit card company as part of this complaint. But I think it's fair to say that the direct debit instruction Mr N signed was provided to his credit card company, who I'd expect to be aware of the dormancy period and the need, if necessary, to obtain a new authority from Mr N before attempting to collect a payment by direct debit.

The impact of Covid meant that the direct debit dormancy rule was extended and businesses were allowed more time to apply the rule. But this doesn't mean that Halifax cancelled the

debit prematurely and I don't think it acted unfairly or unreasonably. The credit card provider hadn't called for the direct debit for the last two and a half years or so – the 13 months deadline in the rule had long since expired. I think in these circumstances, it was reasonable for Halifax to think it was likely that Mr N was no longer using this particular credit card, so that it was in his best interests to remove what appeared to be a redundant direct debit from the system, in line with dormancy provisions.

I appreciate that the overall timescale here has been a complicating factor in a number of respects. I can see why being able to amend his direct debit mandate on 1 October 2023 was confusing. But it doesn't mean that Halifax shouldn't have applied the dormancy rule. And it appears to be simply a coincidence that Mr N amended the direct debit mandate he'd given his credit card provider just the day before Halifax cancelled the existing instruction it held from the credit card provider.

That would also explain why Halifax told Mr N that it didn't have a record of his direct debit when he complained – it had already been cancelled and didn't show on this account.

I acknowledge the impact this matter had on Mr N. But as he'd recently amended his direct debit instructions, no direct debit payments had been taken for at least a couple of years and he was aware the promotional interest period had ended for that card, I'd expect him to want to keep a close eye on things to make sure his payment instructions were carried out in line with his intentions. Fortunately, Mr N was closely monitoring his account and when it looked like the direct debit wasn't taken, he paid his credit card direct so he was able to avoid incurring any financial detriment.

In order to uphold Mr N's complaint I would have to find that Halifax made an error or acted unfairly or unreasonably. After taking into account everything that Mr N and Halifax have told me, I haven't seen enough to show that Halifax did anything wrong or that it treated Mr N in a way that wasn't fair and reasonable. So I can't uphold this complaint and it follows that there are no grounds for me to require Halifax to pay any compensation.

### **My final decision**

For the reasons I've explained, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr N to accept or reject my decision before 14 October 2024.

Susan Webb  
**Ombudsman**