

The complaint

Mr D has complained that when he switched accounts to Starling Bank Limited ("Starling") not all of his Direct Debits were transferred across. This led to a number of the Direct Debit payments failing after the switch had taken place.

What happened

Mr D switched his current account to Starling on 1 May 2024. But on the day of the switch, Mr D says that his Direct Debits were not updated, resulting in a number of merchants being unable to take payment. Mr D says that failed attempts to collect payments under Direct Debits continued to occur after the switch had taken place.

Unhappy with this Mr D complained to Starling.

Starling issued its final response to the complaint on 29 May 2024. In its response, Starling acknowledged that Mr D had been incorrectly told that the payments wouldn't come out of his account. Starling explained that merchants are informed of the new account details on the 7th day, which is the last day of the switch. This means that any Direct Debits that are attempted are redirected to the new Starling account. Starling acknowledged that Mr D had incurred some missed payments, but explained that Mr D's previous bank confirmed that this was because Mr D didn't have enough funds in his existing account to cover the payments.

Starling also acknowledged that some payments had been cancelled. It explained that this would've been because they were attempted to be taken on the last day of the switch and so were not provided with the new bank details. Starling explained that if Mr D incurred any charges or late payment fees, he should get in contact and Starling would reimburse Mr D.

Starling said that it had transferred over the Direct Debits. But it acknowledged that its handling of matters could've been better, so paid Mr D £50 compensation.

Unhappy with the response Mr D referred his complaint to the Financial Ombudsman Service.

One of our investigators assessed the complaint and they acknowledged some payments had been unsuccessful in being transferred over. They explained that as Mr D didn't have enough money in his account prior to the switch, this led to some Direct Debit payments being unsuccessful. The investigator acknowledged that Mr D was incorrectly told that payments would not be coming out of account, but concluded that Mr D had already missed payments by that stage. The investigator said that it was Mr D's responsibility to retain enough money in his existing account to cover any payments, but they did think the £50 that Starling paid Mr D was fair in the circumstances.

Mr D did not accept the investigators assessment and asked that they focus on the Direct Debits that had been unsuccessful since the switch. Mr D provided evidence of a Direct Debit to pay car tax that was unsuccessful. The investigator looked into this, but they did not change their view on the complaint.

Unhappy with the investigator's conclusions, Mr D's complaint was referred for an ombudsman's decision.

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 reviewed everything, although it's clear that things have not gone as they should've, I think what Starling has already done to put matters right is not unreasonable. I will explain why.

It's clear that the switching of Mr D's account has not gone as smoothly as it should've done, resulting in a number of Direct Debits not being paid when they should've been. For example, although it seems that some Direct Debits were transferred over successfully, a number of them weren't. As this has happened, Starling - as the 'new' provider - is obliged to reimburse Mr D any fees or late payment charges he received due to any Direct Debit payments being unsuccessful. This is to ensure that Mr D doesn't incur a financial loss as a result of the switching process not going through as it should've done.

I can see that Starling asked Mr D if he incurred any fees or late payment charges and said it would reimburse Mr D for these. However, Starling said that Mr D didn't respond to say that he had. Mr D has also not told this service, or provided evidence to show, that he has incurred any fees or late payment charges as a result of the Direct Debit payments being unsuccessful. As such, based on the evidence that has been provided, I can't see that Mr D has incurred any financial loss as a result of the switching process not going as it should've.

I appreciate that the whole purpose of the switching process is to remove the hassle from the consumer in having to manually update the payment details with each Direct Debit originator. So clearly, in this case it hasn't done what it should've. As such, I have considered what inconvenience Mr D has been caused, as well as what Starling can be held responsible for, when considering if further compensation (than the £50 that has already been paid) is warranted.

I recognise that Mr D says that he had a number of failed Direct Debit payments – from around the time of the switch and in the days that followed. Starling said that some payments had failed because Mr D had not left enough money in his previous account. I haven't seen anything to suggest that Mr D disputed that point, and the fact that no balance was transferred over to Mr D's Starling account on 1 May 2024, would support that too. So it would seem that some failed, before the merchants were informed of the new account details, because of insufficient funds in Mr D's existing account. Because of this, I can't reasonably say that Starling is responsible for all of the Direct Debits failing.

Mr D did provide evidence of one failed Direct Debit payment for vehicle tax. It's not clear when exactly the merchant attempted to take the payment, but it's clear that the payment was attempted to be taken from Mr D's previous account that he was switching from. The merchant who attempted payment said that it'd been informed that Mr D's account had been closed and no new bank details had been provided.

We asked Starling about that particular payment, as it is a clear sign of the switching service not operating as it should. Starling explained that Mr D's previous provider had not included that payment in the list of payments that needed switching over. This would explain why the merchant had not been made aware of Mr D's 'new' bank details, essentially because Starling didn't know it needed to make them aware. Therefore, whilst it was clearly

frustrating for Mr D, I can't reasonably hold Starling responsible for the failure of that payment. That being said, looking at the list of payments set up on Mr D's account, it does seem that Starling had setup a number of payments on Mr D's account.

I recognise that, as some of the Direct Debit payments had failed, this meant that Mr D needed to provide his updated bank details to the merchant(s) as and when they informed him of the failed payment - so they could take payment again. Taking into account all of the above points, and what I can reasonably hold Starling responsible for, I think that the £50 compensation that it has already paid in compensation is not an unreasonable award in the circumstances. Because of this, I don't think Starling needs to pay any further redress to Mr D in relation to this matter.

My final decision

Because of the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 18 October 2024.

Thomas White
Ombudsman