

## **The complaint**

Mr S complains that Lloyds Bank PLC didn't raise an indemnity claim under the Direct Debit Guarantee when he asked it to.

## **What happened**

Mr S contacted a communications provider (who I will call T) to cancel a monthly direct debit (DD) for £164.64 which had been debited to his business account with Lloyds under reference 00659473/001.

T identified a different DD - reference GB06614137, which it cancelled. But Mr S says T told him it didn't have any record of the other DD and it had directed him to Lloyds to raise an indemnity claim under the Direct Debit Guarantee (the guarantee).

Mr S says when he contacted Lloyds, he was told the DD had been going out of his account since 2020. But when he asked it to raise an indemnity claim, Lloyds refused. So, he complained.

Lloyds responded to Mr S' complaint. But it didn't think it had done anything wrong. It said it had to validate a claim for a refund under the guarantee before accepting it. And that it didn't think the guarantee covered Mr S' claim because he'd told it the DD was a duplicate payment and that he didn't have any products or services with T.

Unhappy with the outcome Mr S referred the complaint to this service. In doing so, he said Lloyds had misrepresented what he'd told it. He said that he'd told Lloyds that T had identified one DD payment but not the other.

When responding to our initial enquiries, Lloyds said Mr S had now cancelled both direct debits. And that it was unable to raise an indemnity claim under the guarantee as Mr S had told it that he didn't hold any products with the communications provider. It also said that Mr S had an on-going complaint with T. As such, it didn't think this wasn't something that was covered under the guarantee.

One of our investigators went on to look into the situation. But he didn't uphold Mr S' complaint. He didn't think Lloyds had acted unfairly in not raising an indemnity claim. He said Mr S wasn't disputing the wrong amount was debited, or that the DD was claimed on wrong day. He thought Mr S' claim was a dispute about whether T has provided a service for which it had taken money from his account. He said the guarantee isn't set up for refunds in situations like this.

Mr S didn't accept this. He said – in summary, that somebody was responsible for taking money from his account and that he should not be made to pay for Lloyds and T's mistakes. He added that Lloyds should know where the money went, and that the investigator should have included T in his investigation before reaching his conclusion.

The investigator considered what Mr S had said, but he didn't agree. He said the guarantee doesn't cover disputes with the biller and that this service doesn't have the power to look into complaints about communications providers. And he provided Mr S with details of the two

DDs relating to T to show where the money was paid to enable him to pursue the matter with T.

As Mr S still disagreed with the investigator, Mr S' complaint has been referred to me.

### **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 should explain that this service isn't able to look at complaints about every business. The businesses we cover are those regulated by the Financial Conduct Authority (FCA). And this doesn't include communication providers.

So, my role here is to consider the actions of Lloyds and to decide if it has done anything wrong or treated Mr S unfairly. Having done so, I've reached the same overall conclusion as the investigator - although I'll provide some additional detail. I can see Mr S feels strongly about this matter and will therefore be disappointed with my decision. So, I'll explain why.

The purpose of the guarantee is to protect customers if there's been an administration error with their payment. The error might be made by the bank/building society, or by the organisation that collected the payment (the originator - or sometimes referred to as the merchant or biller) – in this case, that's T.

Most commonly, a payment error might occur because – for example, the payment date, amount, or frequency has been changed without the proper notice. But the guarantee isn't intended to deal with all contractual disputes between customers and originators. And it doesn't mean a customer will automatically get their money back simply by saying an error was made.

Lloyds has provided evidence that shows that Mr S had two direct debits on his business account in favour of T. The investigator has provided Mr S with evidence of this which includes all the relevant information, so I won't repeat it all here. But it includes evidence that both direct debits were claimed by T using the Automated Direct Debit Instruction Service (AUDDIS) – more information on AUDDIS can be found here:

<https://www.bacs.co.uk/bacs-schemes/direct-debit/services/auddis/>

But in summary, AUDDIS is a system whereby the originator claims money (via direct debit) from a customer's bank/building society account rather than the bank/building society sending money to the originator.

As I'm satisfied T claimed the DDs from Mr S' account, I wouldn't expect Lloyds to be able to provide more information about the DDs than it already has. And it follows that I'm not persuaded that Lloyds made any error when the payments debited Mr S' account. So, what I need to decide is if Lloyds treated Mr S unfairly when it didn't raise an indemnity claim under the guarantee.

Most genuine errors in payments will usually come to light relatively quickly. Where that's the case, in most circumstances, I might expect a bank or building society to refund immediately – although, I think it would be helpful to explain that that might not be the end of the matter. The funds could be debited again if upon further investigation by the bank/building society it's found that the payments were rightfully due to the originator.

It's not in dispute here the DD in dispute debited Mr S' account monthly and over a period of around five years before he cancelled it. Given the amount and frequency, I consider it reasonable that Mr S ought to have been aware of the payment leaving his account and reasonably ought to have raised this matter sooner than he did if he didn't think the payments were due. Yet several years have elapsed without the payments being challenged. So, I'm not persuaded that Lloyds was obliged to refund the payments immediately and without question.

From what Mr S has told this service, it seems he contacted T as he didn't recognise the transactions that were debited to his account, rather than because he thought an administration error had occurred – such as the wrong amount or date. I'm persuaded that this means Mr S didn't recognise the payment he was making or what he was paying for. As such, I'm not persuaded that this something that is covered by the guarantee. Rather I think its most likely a contractual dispute between Mr S and T.

Overall, based on what I've seen, I don't believe the fair way to resolve this dispute would be or me to simply require Lloyds to refund Mr S. Rather, I find it's for Mr S to contact T – with the information provided by the investigator, to resolve the matter.

### **My final decision**

My decision is that I do not uphold this complaint.

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

Sandra Greene  
**Ombudsman**