

## **The complaint**

Mr G complains that Lloyds Bank PLC breached the terms of the direct debit guarantee when it didn't refund payments for his buy to let mortgage. Mr G would like all direct debit payments to his mortgage account from late 2022 to be refunded and any further direct debits to be stopped.

## **What happened**

Mr G has a buy to let mortgage with Lloyds, on an interest only basis. Lloyds collects his monthly interest payments by direct debit. Mr G made a direct debit indemnity claim in February 2024.

Lloyds rejected Mr G's direct debit indemnity claim. It said the indemnity claim didn't meet eligibility criteria because there hadn't been an error with the direct debit. Lloyds said it took the correct amounts for Mr G's mortgage payments.

Mr G previously brought a complaint to this service that Lloyds had continued to apply interest to his mortgage after he said it had agreed not to do so. His complaint was not upheld. I won't be considering the subject matter of that complaint again here.

The complaint I'm looking into here is Mr G's complaint that Lloyds didn't adhere to the terms of the direct debit guarantee. Mr G says this is very clear in its wording that if an amount is taken in error it must be refunded immediately.

Mr G says Lloyds used to write to inform him of changes to his direct debit payments. He says these letters stopped in late 2022. He says Lloyds hasn't proved that it communicated details of the direct debit payments or refunded the payments and is therefore in breach of the direct debit guarantee.

Our investigator said Lloyds hadn't made an error when collecting Mr G's mortgage payments by direct debit. She said Lloyds had written to Mr G when there was a change in his interest rate and monthly payment. Our investigator said Lloyds hadn't been unfair when it declined Mr G's direct debit indemnity claim.

Mr G didn't agree. Mr G says the direct debit guarantee requires Lloyds to notify him in advance of any changes to his payment. He says the guarantee is crystal clear that he's entitled to a full and immediate refund. He says he accepts that if it turns out he wasn't entitled to the refund he'd have to pay the money back. Mr G said if Lloyds couldn't provide copies of its letters to him it can't demonstrate it has a valid contract with him.

## **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.

Where the evidence is incomplete, inconclusive or contradictory, I reach my decision on the balance of probabilities – in other words, what I consider is most likely to have happened in

light of the available evidence and the wider circumstances.

Lloyds collects Mr G's monthly mortgage payments by direct debit. Mr G says it has breached the direct debit guarantee because it didn't notify him of changes in his monthly payment.

The direct debit guarantee says:

If there are any changes to the amount, date or frequency of your Direct Debit the organisation will notify you (normally 10 working days) in advance of your account being debited or as otherwise agreed.

Mr G says he hasn't received letters from Lloyds notifying him of changes to his direct debit payment since late 2022. Mr G says if Lloyds can't demonstrate that it sent notifications it's in breach of the guarantee. He says the only way it can do so is by providing evidence of delivery of letters to him – something he says it can't do as it doesn't send letters by recorded delivery or similar service.

Lloyds says it writes to Mr G each time there is a change in the interest rate and the monthly payment amount. Lloyds provided evidence that it sent letters to Mr G when the interest rate and his monthly payment changed. These letters are system generated. Lloyds provided screen shots to show the dates that letters were sent and the templates for the letters. Lloyds doesn't have to keep copies of each letter it sends to Mr G. It doesn't send letters to Mr G by recorded delivery (or similar service) and it doesn't have to.

I'm satisfied from the evidence provided by Lloyds that it sent letters to Mr G to notify him of changes to his direct debit payment. Mr G's address in Lloyds records is correct. It's unfortunate if these letters weren't safely delivered to Mr G. I can't fairly find that Lloyds is responsible for any problems with the postal service.

I don't think in the circumstances I can fairly find that Lloyds breached the direct debit guarantee by failing to notify Mr G about changes to his direct debit payment.

Mr G also referred to the next part of the direct debit guarantee, which says:

If an error is made in the payment of your Direct Debit, by the organisation or your bank or building society, you are entitled to a full and immediate refund of the amount paid from your bank or building society

I'm not persuaded that there has been an error made with Mr G's direct debit payments.

Lloyds provided evidence of the interest rate applied to Mr G's account and his monthly interest payment. I haven't seen anything to suggest this hasn't been calculated properly.

I've listened to the call in February 2024 when Mr G raised the direct debit indemnity claim. He requested that all direct debit payments were refunded from October 2022. He said the direct debit payments should not have been taken because Lloyds had agreed not to apply interest to his account. Later in the call, the call handler asked Mr G why he thought the direct debit payments were wrong. Mr G said this was because he was told in October 2022 that he wouldn't be charged any more interest. As this was the subject of a previous complaint, that's not something I can consider again here.

Mr G said this complaint is not related to his previous complaint – that Lloyds should not be applying interest to his account.

Mr G hasn't provided evidence of any error with how his monthly interest payments have been calculated. I haven't seen evidence of any other error – such as a direct debit being taken more than once.

Mr G is only entitled to a refund of his direct debits if an error has been made. I think the wording in the direct debit guarantee "*If an error is made in the payment of your Direct Debit, by the organisation or your bank or building society...*" makes this clear. I don't think Lloyds made an error with Mr G's direct debit payments. I don't think Lloyds made an error when it told Mr G he wasn't entitled to a refund under the direct debit guarantee.

Taking all of this into account, I don't think Lloyds made an error or treated Mr G unfairly. Lloyds doesn't need to take any further steps in regard to this complaint.

### **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 G to accept or reject my decision before 4 December 2024.

Ruth Stevenson  
**Ombudsman**