

## The complaint

Mr A complains on behalf of C Limited that Barclays Bank UK PLC paid a direct debit to Barclaycard from the business account when the bank account signatory had been changed to 'complex mandate.'

## What happened

Mr A said that C's banking mandate with Barclays was changed to a complex mandate (two signatures) in 2021 on integrity concerns of a co-director. And in August 2022, a Direct Debit Mandate (DDM) in favour of Barclaycard Commercial was cancelled by the shareholders as additional protection. Mr A said Barclays told him there was no way the co-director could access C's funds without the consent of at least one other person from the mandate.

Mr A said he was very surprised that on 10 July 2023 a DD payment of £17,968.37 was taken from C's account by Barclaycard without the knowledge or consent of anyone on the banking mandate apart from the co-director. He said on a call in September 2023 Barclays advised him of a new DD with Barclaycard created without his knowledge in May 2023.

Mr A said Barclays makes no mandate checks when DDMs are created despite having the information and means to do so and Barclays failed to tell him that a new DD had been created, which would have given him time to cancel before funds were misappropriated. Mr A requested the return of the funds under the DD Guarantee/Indemnity process, and brought a complaint to Barclays for the return of the funds, interest and legal costs. Mr A said Barclays should have known (and had the means to know) the DDM was invalid.

Barclays rejected C's complaint. It said Barclaycard are Automated Direct Debit Instruction Service (AUDDIS) registered, meaning it can set up DDs digitally, without customers signing a paper mandate. It said the DDM was correctly reinstated as instructed by the co-director. Barclays said the DDM still requires two signatures for address changes, faster payments and cheques. But this doesn't extend to DD requests, which are controlled by the originator and the payments are honoured based on their instruction when set up.

Barclays also rejected C's claim for a refund under the DD Guarantee Scheme as it lacked a valid reason. Barclays said C hadn't provided the additional information requested and it was unable to ascertain the exact nature of the errors that have occurred. Barclays said that before any refund is sanctioned an error has to be established that solely concerns the DD and there are no other mitigating circumstances forming part of the DD Guarantee Scheme.

Mr A wasn't satisfied with this response and referred C's complaint to our service. Our investigator didn't recommend that it be upheld. She said C's bank mandate was updated to a complex mandate whereby two signatures are required to make changes on the account however, this doesn't extend to DD instructions. She said Barclays hadn't made a mistake.

Mr A disagreed with the investigator and requested an ombudsman review C's complaint. He requested call recordings from Barclays as he remembered being told of the safety of C's account from the actions of the co-director. However, Barclays declined to provide the calls as it said it didn't have to respond to such requests from businesses.

## **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.

This complaint relates to the reinstated DD to Barclaycard. I can see that Mr A cancelled the DD, which he said was after he became aware that a co-director was acting fraudulently on the business account. Mr A also changed the DDM to complex signing (two to sign) to ensure the co-director could not access the account on his own.

I was sorry to learn that these precautions were rendered ineffective when the co-director reinstated the DD, and according to Mr A this led to the theft of thousands of pounds from C's business account. Mr A thinks Barclays should return these funds as it removed the security he had put in place for C's account.

Mr A has complained separately about the opening of the credit card and the 'fraudulent' transactions thereon.

Direct debit instructions are handled by banks in accordance with AUDDIS. This allows banks to send new DD instructions to C's payment service providers electronically. For Barclaycard customers AUDDIS allows them to set up a DDM by providing details such as name and address and bank sort code and account number. There are strict rules which say that banks are responsible for checking all the information contained in the DD instruction is correct.

I can see from the operation of DDs that Barclays is correct to say that mandates require two signatures for address changes, faster payments and cheques, but not for DD requests themselves. These are controlled by the authorised originator of the request and payments are honoured based on the instruction that has been set up.

In effect C's credit card operates similarly to a customer's debit card in that payments are authorised, and DDs set up by the holder. Limitations as to amounts can be set by either party and security checks are carried out in accordance with the operating rules and regulations by the banks. From what I have seen, Barclays has operated C's credit card in accordance with the requirements, in particular AUDDIS. And Barclays has followed the terms and conditions of the account in passing the debt to a third party.

Mr A has sent us a call recording of his and another director's call with Barclays from June 2021. I have listened to the call and their intention is clear that money should not leave C's account without being authorised by two of the account signatories. Barclays' adviser acknowledged this and sent a complex signing form for completion.

Mr A said that despite this Barclays took no steps concerning the risk of withdrawing money from the account by DD. I can see that Barclays was aware of the DD on C's Credit Card, and it might have been helpful if the adviser had highlighted this means of withdrawing money without two signatures, but the conversation didn't touch on this arrangement and so the adviser didn't raise it.

During the conversation Mr A asked Barclays' adviser if C's credit card can be used to log onto the account, and was told this wasn't possible. There doesn't seem to have been any follow-up on the use of the credit card, perhaps because Mr A was satisfied about the security of the card from misuse. This means that the specific issue concerning the authorisation of DDMs was not discussed and Barclays' adviser was not alerted to the concern of DD misuse.

Mr A would like to have further call recordings from when he discussed C's bank mandate with Barclays. This is not a matter for me to consider here though I note that Mr A has made a separate complaint about this to Barclays.

In conclusion, and having reviewed Barclays' handling of C's direct debit payment. A DDM was set up by the co-director on C's credit card account under the AUDDIS system. This meant there was no requirement for two signatories and Barclays handled the request correctly. I have not found that it communicated with Mr A about the arrangement in error or treated C unfairly and so I cannot uphold the complaint.

### **My final decision**

For the reasons I have given it is my final decision that the complaint is not upheld.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 10 February 2025.

Andrew Fraser  
**Ombudsman**