

## **The complaint**

Mr S complains about the way Lloyds Bank PLC ('Lloyds') responded to his claim for reimbursement of money paid from his account by direct debit.

## **What happened**

For more than two years, in line with his direct debit instruction set up in October 2022, regular monthly payments were paid from Mr S' account to a business I'll call 'D'. When a new company took over D and changed its name, Mr S said he then realised that the wrong amount of money had been taken from his account each month.

In October 2024, Mr S contacted Lloyds via its mobile messaging chat service saying all the payments made to D since the arrangement was set up in 2022 were taken 'for something that has not been agreed' and that D 'failed to keep to what they agreed on selling to me in the policy.' He wanted Lloyds to refund all the direct debits he'd paid to D – as well as the payment that had just been made to the new business that took over D.

Lloyds declined to do this, telling Mr S that the reason he gave for wanting his money back wasn't covered by the direct debit indemnity and, in this situation, only D could refund his money.

The exchange continued and Lloyds asked Mr S why he hadn't contacted the bank sooner if D had been taking the wrong amount each month. Mr S told Lloyds that he'd only been made aware of this when D changed hands.

Lloyds then raised a request under the direct debit indemnity for Mr S and his most recent direct debit payment was refunded to his account.

Mr S wanted to know why he'd received back only one month's payment and said he was very unhappy about the way things had been handled and he wanted to complain. He was informed that he'd be contacted by Lloyds' complaint team.

Lloyds subsequently confirmed its view that a mis-sale complaint wasn't covered by the direct debit guarantee. The call handler offered to log a complaint but said it wouldn't be upheld as Lloyds hadn't made any error and as Mr S was in dispute with D, he needed to complain to the company directly, or to whoever had taken over. Lloyds acknowledged that Mr S hadn't been aware of this and offered him £25 as a goodwill gesture.

Mr S said he'd been very tired when speaking to Lloyds initially (he'd called in the early hours of the morning) and that he'd worded things wrongly - his complaint was that D had been 'taking the wrong amount from my direct debit for the wrong policy'. The call handler offered to follow things up further for Mr S.

Lloyds reviewed the position and was satisfied that it had correctly declined the request due to the reason given by Mr S. But Lloyds offered him £40 to reflect the inconvenience he'd been caused and asked if he'd be happy to close the complaint. In the absence of any

further response from Mr S, around 20 minutes later Lloyds paid £40 into Mr S' account and said he'd shortly get a resolution letter confirming the position.

Unhappy with what had happened, Mr S pursued his complaint with Lloyds.

Lloyds wrote to Mr S saying that it didn't uphold his complaint for the following reasons:

- his direct debit indemnity claim was initially declined, and although Lloyds revisited this when Mr S indicated the reason was incorrect, it was declined again as it did not meet the criteria.
- If Mr S believed he was owed a refund, he should contact the direct debit originator directly.
- Mr S had been connected to a virtual assistant and chats will end automatically if there is no response after a certain time frame. Lloyds said it was sorry if this wasn't what he'd expected.
- When the chat ended, Lloyds had closed his complaint when it didn't hear back from Mr S and assumed he was happy with what had been offered.

Mr S brought his complaint to this service and one of our investigators looked into what happened. Our investigator didn't uphold the complaint. He said the direct debit guarantee is limited in scope and his view was that Lloyds had reasonably concluded Mr S' claim wasn't covered under the scheme. He felt that the £40 payment adequately acknowledged the poor service aspect of Mr S' complaint.

Mr S strongly disagreed with the investigator. He says Lloyds set a precedent when it refunded one month's payment, and that 'the same exact reasons' apply to all the payments he made, so it's unfair that Lloyds won't refund these also.

The complaint has come to me to make a final 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.

After reviewing everything the parties have said, I agree with the investigator that this isn't a complaint we can uphold. I'll explain my reasons.

My role is to consider the evidence presented by both parties and reach an independent, fair and reasonable decision based on the facts of the case. I will take into account the relevant law, regulatory requirements and best industry practice when deciding if Lloyds did anything wrong or acted unfairly or unreasonably.

I understand that Mr S is mainly concerned about recovering the monthly debit payments he's paid to D. He feels he's entitled to get all his money back under the direct debit guarantee scheme. He's unhappy with the way Lloyds has handled his complaint and wants to be compensated for the stress and amount of time he's spent on this matter.

Mr S seeks to rely on the direct debit indemnity 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.*

The direct debit indemnity scheme enables account holders to get direct debits refunded immediately in certain circumstances – it's designed to protect customers who have allowed money to be collected from their accounts if errors are made. Payment errors usually come to light relatively quickly. Where that's the case, in most circumstances, I would expect the bank to refund immediately given what the wording of the scheme says. But where several years have elapsed, as here, it's reasonable to expect that Lloyds would need to ask questions to satisfy itself that the claim was one it should action.

Mr S told Lloyds that payments were taken wrongly because D didn't provide what he was paying for - which is different to a payment error. Mr S is effectively describing what amounts to a contractual dispute with D - which the scheme isn't intended to cover.

And as far as I can see, Lloyds paid the direct debits to D correctly in line with the payment arrangements Mr S asked Lloyds to put in place. That's borne out by the fact that the payments appeared on his bank statements, so Mr S could have seen how much he was paying D. He made regular payments of £48.19 to D around the start of each month from December 2022 until September 2023. In October 2023, the monthly debit amount increased to £53.28, and this amount was paid from Mr S' account after this. In October 2024, when D changed hands and started operating under a new name, this debit amount was unchanged. This payment schedule is consistent with the information Lloyds has provided from its records about the direct debit arrangement Mr S set up.

More recently, Mr S has said he feels he's entitled to a refund under the direct debit indemnity scheme because the amount debited from his account is not what his insurance payment schedule/policy reflects. But that doesn't affect the outcome of my decision. If a payment error had been made – such as D taking a payment Mr S hadn't authorised or taking an incorrect amount for example, then arguably, it's reasonable to expect that Mr S would have flagged this up at the time – or at least much sooner.

I appreciate that Mr S may not have noticed the debit amount until he was prompted to look more closely at the payment when D changed its name. But that's not something I can hold Lloyds responsible for. We expect that account holders will monitor what's happening to their money by reviewing available information and Mr S could have seen on his bank statements how much he was paying D each month.

All this supports my view that Lloyds acted fairly and reasonably when it concluded that it hadn't made any payment error and Mr S' refund request was outside the scope of the direct debit indemnity scheme.

Lloyds recovered the most recent direct debit payment that had prompted Mr S to complain. I understand why Mr S might think it follows that Lloyds should be able to recover all the other payments made to D. But that refund was made when Lloyds raised an indemnity claim on 11 October 2024 for that month's payment to D's successor company and the single debit amount was small enough to be processed automatically without any further checks. So it was successful.

The total amount of the debits Mr S paid to D over the years was much more substantial. Lloyds' business process required additional checking before a request for this amount could be processed. Lloyds needed to identify the reason why Mr S was requesting the refund and it wasn't able to match what he said with a valid reason code.

Disputing whether he's been provided with what he paid for isn't covered by the direct debit indemnity scheme and Mr S hadn't identified any payment error.

So I don't find that Lloyds did anything wrong when it declined to attempt any further refund requests. D's successor company has gone into administration but it's still open to Mr S to contact the administrators if he believes he has a claim against D.

I'm sorry that Mr S found dealing with Lloyds regarding this matter so stressful and he feels it took longer than it should've done for Lloyds to deal with his complaint. It's useful that Mr S was able to access its virtual messaging service in the early hours of the morning when he wanted to contact Lloyds. But it's reasonable to expect there are some limitations when it comes to dealing with an automated system. I don't think it's surprising that his call automatically ended after he hadn't input any information for a while. I don't think it was unreasonable for Lloyds in those circumstances to go ahead on the basis proposed. And this didn't impact detrimentally on Mr S as he was still able to pursue his complaint to us.

I think the £40 compensation paid overall by Lloyds is fair and reasonable in all the circumstances. It fairly acknowledges that Mr S experienced some inconvenience in his dealings with Lloyds.

Beyond this, I don't agree that Mr S' experience with Lloyds warrants further compensation. I wouldn't award any more than this in these circumstances as the amount paid is broadly in line with the amount this service would award in similar cases and fair compensation for Lloyds to pay Ms S in his particular situation.

To sum up, I am satisfied that:

- Lloyds acted in a fair and reasonable way towards Mr S in connection with the direct debit indemnity claim and,
- it has already taken responsibility for addressing shortcomings it identified on its part and done enough to put this right by paying him £40.

So, for the reasons I have set out more fully above, I can't uphold this complaint.

### **My final decision**

My final 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 13 March 2025.

Susan Webb  
**Ombudsman**