

The complaint

A limited company, which I'll refer to as H, complains that Barclays Bank UK PLC did not fulfil its obligations under the Direct Debit Guarantee ("DDG") Scheme, when H requested a refund.

What happened

On 9 May 2024, H contacted the bank to request a refund of direct debits ("DDs") paid to a third party (which I will refer to as "N") since early 2022. H said the payments, which totalled around £46,200, were unauthorised.

H chased several times, including sending a letter before legal action, which prompted the bank to engage its lawyers. H's director also asked the Financial Ombudsman to look into the matter.

On 17 July 2024, the bank refunded the full amount paid.

H's director felt that compensation should be paid so chose to continue with our review.

One of our investigators looked into what had happened and concluded that the bank had been responsible for a delay in making the refund. She considered the refund should have been processed by 18 June 2024. She therefore recommended that the bank pay 8% interest on the amount refunded from 18 June 2024 to 17 July 2024.

H's director disagreed and made the following points, in summary:

- There was a broader context, in that H was seeking a refund for other DDs it had never authorised as well.
- Why was there a delay in processing the refund? Weren't customers entitled to an immediate refund under the DDG.
- H had been a victim of financial harm since August 2019, due to the prolonged withholding of funds.
- Our investigator said that H was responsible for checking its accounts. But the primary responsibility for verifying DDs lies with the bank.
- Barclays had been aware of the error since September 2023.
- Financial Ombudsman guidelines mentioned compensation for direct losses, consequential losses and distress and inconvenience. What considerations had been given to these aspects?

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 done so, I've reached the same conclusion as our investigator, for essentially the same reasons.

First, I'm aware that H has made other claims to Barclays under the DDG, which H says Barclays is yet to refund. I appreciate that H's director has many wider questions she would like answered in relation to these claims and the bearing of this complaint on them. But I am only able to make findings on the direct debits paid to N in this decision, because that is the complaint that was referred to our service. Any other claims would need to be the subject of a separate complaint.

It's clear that H's director feels very strongly about H's complaint and I can understand this given the size of the sums involved. I have read and considered everything that she's provided. As an informal dispute resolution service, we are tasked with reaching a fair and reasonable conclusion with the minimum of formality. In doing so, it is not necessary for me to respond to every point made, but to concentrate on the crux of the issue. The relevant question is, in my view, has the bank acted wrongly in its handling of the DDG claim?

The DDG applies to all DDs. It protects a customer in the rare event that there is an error in the payment of their direct debit, for instance if a payment is taken on the incorrect date, or the wrong amount is collected. But it is not designed for resolving contractual disputes between a customer and the billing organisation.

The DDG enables account holders to receive an immediate refund from their bank in certain – but by no means all – circumstances. Crucially, it requires that an error has been made. Most genuine errors in payments will usually come to light relatively quickly. Where that's the case, in most circumstances, I would expect a bank to refund immediately. But where several years have elapsed without the payments being challenged, as is the case here, I think it is reasonable for the bank to conduct some further investigation to establish whether there is an error rather than a contractual dispute.

That said, I agree with our investigator's conclusion that Barclays took too long in this case. The bank took almost ten weeks in total to put the money back into H's account and I don't think that was reasonable.

I can see two periods of delay that I consider stem from bank error. First, Barclays have acknowledged they made an error when the claim was first raised and didn't take action until 17 May 2024. Second, when the bank emailed on 3 June 2024 to confirm the claim had been accepted and would be paid, the email promised to pay within 14 working days, but then they failed to pay within this timeframe.

I appreciate that H has been without the reclaimed funds for a considerable time. But I don't think it would be fair to award compensatory interest for the entire period since February 2022. This is because I consider that H should reasonably have noticed that large payments were leaving its bank account and raised a claim earlier.

I know H's director has alluded to other losses. But our investigator has given H every opportunity to provide evidence of these losses for me to consider and H has not done so. I also take the view that if the company was suffering financial hardship as a result of being without these funds, it would - or ought reasonably to have – spotted the payment going out earlier.

Our investigator has already correctly explained that I cannot award compensation for a director's distress, because the director is not the eligible complainant here, the company is

and a company cannot be distressed. However, I do accept that some inconvenience has been caused to H by the delay in paying this claim.

H's director has mentioned recently that she told the bank in September 2023 rather than in May 2024 about the DDs. She may be referring to other DDs, but I haven't seen any evidence that she contacted the bank about the DDs to N before May 2024. In H's complaint form, she sets out the events starting from 9 May 2024 and I have seen no correspondence from before this date. My conclusion is that it's fair to treat 9 May 2024 as the starting date for when the bank should have taken action.

Putting things right

My starting point here is to put H back into the position it would have been in but for the bank's error in processing its claim. I think if everything had gone correctly, H would have got its refund earlier.

As I've said above, I think there were two periods of delay in paying the DDG claim, one between 12 May 2024 when the claim was first raised, until 17 May 2024, and one from 20 June 2024 (14 working days from 3 June 2024, which was the latest date by which Barclays promised to pay) until the refund was made on 17 July 2024. I consider these add up to a delay of 32 days. This is a slightly longer period than that calculated by our investigator.

H's director has not specified any losses made as a result of the delays in processing this claim. But I do think H has incurred some inconvenience from the need to chase up the bank and provide additional paperwork to pursue this claim, thereby taking H's sole director away from other duties. I have concluded that compensation of £100 is fair for this inconvenience.

My final decision

I uphold this complaint and direct Barclays Bank UK PLC to pay H interest for 32 days on the total amount of the refunded DDs that were paid to N, at a rate of 8% simple per year pro rata. Barclays Bank UK PLC must also pay compensation of £100 for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 11 March 2025.

Louise Bardell
Ombudsman