

The complaint

Mrs and Mr B complain that Nationwide Building Society are facilitating unauthorised use of their account by setting up a direct debit without obtaining a signed mandate from them.

What happened

Mrs and Mr B previously paid for a service provided by their local waterboard. The waterboard wrote to them to explain it was no longer providing the service and that Mrs and Mr B's contract was being passed to another service provider (who I will call company H).

A direct debit was set up on Mrs and Mr B's Nationwide account in favour of company H. This was subsequently cancelled by Mrs and Mr B as they no longer wanted the service. But Mrs and Mr B were unhappy that Nationwide had set up the direct debit without seeking a signed mandate from them. So, they raised a complaint. Nationwide said that direct debits are set up electronically and that it doesn't hold signed mandates.

Unhappy with the response, Mrs and Mr B referred the complaint to this service. One of our investigators looked into it. But she didn't think Nationwide had done anything wrong or treated Mrs and Mr B unfairly, so she didn't uphold the complaint.

Mrs and Mr B didn't accept this outcome saying that Nationwide has a duty to protect their account and it should only set up a direct debit when it has received a signed mandate. As agreement wasn't reached the complaint has been passed to me to decide. For clarity, this decision solely relates to Mrs and Mr B's concerns about direct debits. Any other issues Mrs and Mr B have raised are being dealt with separately.

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 overall conclusion as the investigator. I know Mrs and Mr B will be disappointed as it is clear they feel very strongly about this matter, and from what I've seen it seems they bought this complaint in the hope that this service can change the way in which businesses – Nationwide in particular, accept direct debit instructions. But we are not the regulator – that's the role of the Financial Conduct Authority (FCA), and we don't have the power to tell a business to change its processes. We look into whether a business has done something wrong and, if so, we take steps to tell the business how to put things right.

So, to uphold Mrs and Mr B's complaint, I would need to be satisfied that Nationwide has done something wrong or treated Mrs and Mr B unfairly in relation to the direct debit that was set up on their account, and I don't find it did. I'll explain why.

Fraud and scams are prevalent in the UK, and I agree that banks and buildings society have systems in place to prevent fraud. However, much of today's everyday banking – like direct debits, is undertaken electronically. I think it would be helpful to explain - in more detail than the investigator did, on how the direct debit process works in the UK and the protection that is in place for consumers.

In the past, a signed direct debit mandate was held by the customer's bank/building society when a direct debit was set up on an account. But these days, there is a well-established industry approach for most direct debits to be set up electronically by the company which is due to receive the payment (sometimes known as the direct debit originator) - in this case that is company H.

So here, it was for company H to obtain authority - a signed mandate, from Mrs and Mr B to allow it to debit their Nationwide account. And once obtained, it was for company H to set up the direct debit via a system known as the Automated Direct Debit Instruction Service (AUDDIS). More information can be found here:

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

This all means that when Nationwide received direct debit instructions electronically from company H, I wouldn't expect it to obtain a signed mandate from Mrs and Mr B as they think it should do. It is not clear if company H obtained the correct authority from Mrs and Mr B. But had it not done so, and if payments were wrongly claimed from Mrs and Mr B's account, they would have been able to claim a refund from Nationwide under the Direct Debit Guarantee.

The Direct Debit Guarantee protects customers when money is wrongly taken from their account by direct debit. More information on the guarantee can be found here:

<https://www.directdebit.co.uk/direct-debit-guarantee/>.

But, as I understand it, Mrs and Mr B cancelled the direct debit before any payments left their account, so on this occasion Nationwide wasn't required to refund Mrs and Mr B under the guarantee.

Overall, while I appreciate Mrs and Mr B's strength of feeling, I haven't found that Nationwide did anything wrong in all the circumstances of this complaint.

My final decision

For the reasons given above, I do not uphold this complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B and Mr B to accept or reject my decision before 29 April 2025.

Sandra Greene
Ombudsman