

The complaint

Mr A complains that Nationwide Building Society failed to refund immediately monies taken in error by direct debit which he believes to be in breach of the terms of the direct debit guarantee.

What happened

Mr A paid a tax bill to HMRC in June 2024 for a substantial amount. He asked HMRC to cancel his direct debit but in July 2024 HMRC then took the same amount by direct debit from his account. He says he was advised by HMRC to reclaim the monies from Nationwide.

Mr A contacted Nationwide and it agreed to raise a direct debit indemnity claim. He was told that a temporary credit could be paid to his account although in exceptional circumstances this wouldn't happen and he would have to wait for the claim to be resolved. He was then told by an SMS text message that a temporary credit would not be paid in his case. I understand this was because of the amount of the payment.

Mr A made a complaint to Nationwide and said that he was assured that the payment would be refunded to his account by 5 August. He was then told that the claim would be resolved one way or the other by 5 August and not necessarily paid if HMRC didn't accept it.

Nationwide couldn't provide the call recording as it was made in branch. Although it was assured by the adviser concerned that they didn't make that promise of a full refund, it decided to give Mr A the benefit of the doubt and offered £100 compensation. Mr A didn't accept this.

As it transpired, HMRC accepted the claim and a full refund was made to Mr A's account by Nationwide on 5 August.

On referral to the Financial Ombudsman Service, our Investigator said that the investigation by Nationwide took place within the expected timescales and the refund applied as soon as that investigation was completed. They said that the £100 offered as a goodwill gesture by Nationwide was reasonable.

Mr A didn't agree as he felt that his complaint was about Nationwide breaching the terms of the direct debit guarantee.

The matter has been referred to me for an Ombudsman's consideration.

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.

When Mr A notified Nationwide that his direct debit payment had been taken in error by HMRC, I'm satisfied that it took the correct action which was to set a claim in motion. I appreciate that Mr A expected Nationwide to temporarily credit his account with the full payment from HMRC until the investigation was completed. This was said to him in the initial

phone call. However the adviser also said that exceptionally Nationwide may not apply the temporary credit. And if that was to be the case it would advise him.

The team dealing with direct debits at Nationwide started investigating the claim on 15 July and notified Mr A that, in his case, a temporary credit would not be applied. I understand that this was because the amount of the payment was quite substantial.

The direct debit guarantee 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.”

It does not provide for the bank or building society to make an immediate temporary credit to the customer's account, although in practice that is usually done. The entitlement to a full and immediate refund arises *“if an error is made”*. In order to determine that, Nationwide had to refer the matter back to HMRC to confirm that it accepted the claim. Once it had done this and HMRC accepted it, the guarantee came into effect and Nationwide did then provide a full and immediate refund. So I can't say that Nationwide was in breach of the direct debit guarantee in this case.

Mr A says that he was forced to borrow money whilst waiting and that he had to extend his overdraft facility. I realise that being without that amount of money for three weeks put him in difficulties. Although I note that he didn't need to make use of the increased overdraft facility. And I'm aware from listening to the phone calls that he was anxious for the matter to be resolved quickly. Nationwide had 21 days from the start of its investigation to resolve the matter. And although Mr A wanted Nationwide to chase up HMRC sooner, as it acted within the guidelines for compliance with the guarantee, I can't say that it didn't act fairly and reasonably in this case.

Nationwide offered £100 to Mr A as a goodwill payment. This is because he said he was given to believe that he would receive his refund automatically by 5 August. As he did receive his refund by then I can't award compensation for what might have happened. And as I can't listen to the phone call I'm not sure whether Mr A was given the wrong impression by the adviser concerned. Under those circumstances I think that the £100 payment offered by Nationwide is fair and reasonable compensation.

My final decision

Nationwide has already made an offer to pay £100 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that Nationwide Building Society should pay £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 17 April 2025.

Ray Lawley
Ombudsman