

The complaint

Miss F complains that Bank of Scotland plc trading as Halifax has declined her claim under the Direct Debit Guarantee for a refund.

What happened

In November 2024, Miss F asked Halifax to refund her under the Direct Debit Guarantee for a series of payments made to an energy provider between April 2021 and January 2024. She was told that the refund would be made in a few hours time. She then received an email from Halifax stating that the refund could not be processed.

Miss F then called Halifax to ask about the claim and after a long call where she was asked a number of questions, it said that the claim had been put in place again. But Miss F then received another email saying that the claim couldn't be processed.

Miss F complained to Halifax about this. It responded to say that the Direct Debit Guarantee didn't apply to the claim Miss F wanted to raise as this was a contractual dispute between her and the company involved. However it acknowledged that the service it had provided Miss F fell short of its standards – in particular that the questions asked in the first call weren't sufficient and that it should have explained why the claim would be rejected on the second call. It paid Miss F £250 to compensate her for the impact this had.

Miss F disagreed with this and referred her complaint to this service where one of our investigators looked into it. They felt that Halifax was correct to say that Miss F's claim wasn't covered by the Direct Debit Guarantee, but they did acknowledge that she had to make several calls to Halifax and provide a lot of information. The investigator felt that Halifax's payment of £250 fairly compensated Miss F for this though.

Miss F disagreed, maintaining that Halifax should accept her claim. So the complaint was passed to an ombudsman to decide.

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.

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The Direct Debit Guarantee is a scheme where if a payment is taken by Direct Debit then a customer can, in certain circumstances, make a claim for a refund from their bank or building society.

On the website for Direct Debit payments, the Guarantee is worded in the following way:

"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"

...

What the Guarantee doesn't do is affect the contract you have with a biller. For example, if you make a monthly payment for a mobile phone, and the biller takes the wrong amount, you can claim that money back but you will still owe the biller for the calls you've made and the data you've used, or for the amount you agreed to pay.

What this means is that the Guarantee can't be used where the dispute is one between a customer and the company/organisation that has taken the payment, rather than an error with how the payment has been taken.

Halifax says that's the case here because Miss F has explained that the energy provider that claimed the direct debits in question believes they are genuine payments for energy that was supplied. Where that's the case, I think it's clear that the underlying dispute here is a contractual one between Miss F and the energy supplier, rather than an error of the sort that the Direct Debit Guarantee is intended to cover.

Many of Miss F's comments to Halifax and this service have focused on whether the energy supplier was authorised to collect the payments in question here. But the energy supplier seems to believe it was entitled to do so, whereas Miss F strongly feels it wasn't. That means there isn't a clear 'error' here in a way that is described by the terms of the Direct Debit Guarantee. Instead, the dispute here arises from more detailed considerations of the services and contract provided by the energy supplier – which I think Halifax fairly said was ultimately not something that was covered by the Guarantee.

So I think Halifax's response here is a reasonable one. For clarity, this doesn't mean that Miss F may not have a legitimate claim against the energy supplier – my decision here just means that it wouldn't be fair for Halifax to refund these payments under the Direct Debit Guarantee. Miss F is still free to raise a dispute with her energy supplier outside of Halifax (and this service's) involvement.

Turning now to the service Halifax provided, I think it's clear that its handling of this matter will have confused and frustrated Miss F. To be told twice that her claim had been raised and would be dealt with, after providing all the information she did – only to find that these claims should never have been raised at all would have been very upsetting, not to mention inconvenient.

Halifax paid Miss F £250 for this and I think that's a fair and reasonable amount to recognise the impact this would have had on her. As that's the case, I won't be telling Halifax that it needs to do any more here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 29 August 2025.

James Staples
Ombudsman