

The complaint

Ms C complains about the decline and the handling of her direct debit indemnity claim by Lloyds Bank Plc (Lloyds).

What happened

In July 2024 Ms C contacted Lloyds as she wanted to raise a direct debit indemnity claim in relation to payments made to a utility provider between October 2017 and December 2019.

Ms C ended up speaking to Lloyds on multiple occasions. She spent approximately four hours on the phone speaking directly to advisors, in addition to the time spent waiting to speak with someone about her claim. Lloyds's advisors raised the claim for Ms C on multiple occasions under more than one category available within the Lloyds's internal computer system for such claims. Each of these claims was declined and no refund of the payments was ever authorised.

For ease, in this decision I will refer to these claims collectively as a singular 'claim', but I acknowledge and have considered the fact that multiple claims were raised.

Ms C was unhappy with the outcome to her claim and the service she received. She felt her claim ought to have been processed and that she ought to have received an immediate refund. Her service concerns included but were not limited to: being left waiting for long periods; not being told about the outcome of the claim that had been raised; being provided with multiple different figures as to the total value of the claim she was attempting to raise; not being given information about the basis for the decline of her claim. So, she complained.

Lloyds provided its response to her complaint on 22 July 2024. It didn't uphold her complaint about the decline of her indemnity claim but it did pay her £75 for the poor service she received. In particular, the different figures she was given by staff.

Ms C remained unhappy and referred her complaint to our Service. Ms C said she'd lost sleep over the way this had been handled and had invested hours of her time trying to resolve things. Ms C provided detail on the very difficult personal circumstances she'd experienced and explained that these made Lloyds' errors more impactful.

Ms C confirmed to our Service that the reason she felt her direct debits had been taken in error was because the utility company she was paying did not actually supply her gas/electric but credit. She stated this arrangement was unlawful and illegal on many levels and provided a detailed rationale for this. She explained that because the utility company she was paying did not disclose that they were offering credit, there can be no credit agreement and with no credit agreement she has no liability to pay any charges. Ms C felt she had no contract with the utility provider.

Our Investigator looked into the submissions from both parties but didn't think we had jurisdiction to look into the complaint. Ms C disagreed and the matter was passed to me. I issued a jurisdiction decision confirming that the complaint was one our Service could consider.

Our Investigator then reviewed the merits of the complaint and didn't uphold it. They said the evidence didn't indicate Ms C hadn't agreed to the payments and so it was fair Lloyds didn't conclude there was an error with the payments. They said that the issue Ms C was raising was a contractual dispute with the utility provider and not something covered by the direct debit guarantee. They agreed there was poor service during the calls but felt the £75 compensation Lloyds had paid was fair in the circumstances.

Ms C disagreed and so the complaint was passed to me once again, this time to determine merits. Ms C raised a number of points including the fact no immediate refund had been provided and that Lloyds had not sought to investigate whether there was a valid contract as it had done with another claim she made.

I issued a provisional decision which agreed with the findings of our Investigator but provided additional reasoning. Lloyds had no further representations. Ms C disagreed that the £75 offered was sufficient in the circumstances. She said it did not sufficiently penalise the bank to ensure it sorted out faults in the system rather than just paying compensation. She also said it didn't sufficiently compensate her for the inconvenience and distress caused. She noted that there had been call wait times in addition to the time spent speaking with advisors which she doubted had been clearly communicated to our Service by Lloyds bank. She asked that our Service obtain details of the wait times for the relevant calls to inform my decision.

I am now in a position to issue a final decision on this complaint.

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.

I'd like to reassure both parties I've carefully read all of the correspondence they've sent this Service. That being said, my decision won't address every point or comment raised. I mean no discourtesy by this, it simply reflects the fact our Service is an informal dispute resolution service, set up as a free alternative to the courts. So, in deciding this complaint I've focussed on what I consider to be the heart of the matter, rather than considering every issue in turn.

Considering Ms C's comments about penalising Lloyds, I'd like to be clear that we are not the regulator. It's not the role of the Financial Ombudsman Service to punish businesses or consider whether compensation payments are sufficient to drive improvements in service businesses offer. Our role is to consider specific complaints and where we identify errors, consider how we can best try to put the consumer back into the position they would have been in had errors not occurred.

Ms C feels that her claim wasn't handled in line with the direct debit scheme rules and that the service she was provided was poor.

So, I've first considered whether Lloyds fairly declined her claim without providing a refund.

The purpose of the direct debit guarantee is to protect customers who've allowed a third-party permission to take payments directly from their account. If a payment error is made – either by the bank/building society or by the business collecting the payment (the originator), then they should be able to get an immediate refund from the bank. In turn, the bank will get repaid by the originator, under the direct debit indemnity – unless the originator challenges the claim. The direct debit guarantee doesn't deal with contractual disputes between the consumer and the originator.

The scheme operator, Pay.UK, states *'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 also says, ***'What the Guarantee doesn't do is affect the contract you have with a biller.'***¹

The direct debit guarantee enables account holders to receive an immediate refund from their bank in certain – but by no means all – circumstances. As I've said, its purpose is to provide protection to customers who have provided originators with access to their accounts in order to collect money. But most genuine errors in payments will usually come to light relatively quickly. Where that's the case, in most circumstances I might expect the bank to refund immediately. But where several years have elapsed, as here, I rather think that does call into question whether there are valid grounds to apply the guarantee. In those circumstances, I'm satisfied the bank is not obliged to refund immediately, without question. I'm also satisfied that it is reasonable for the bank to request enough information to satisfy itself that there are potential grounds for a claim under the guarantee before raising the claim with the originator.

The guarantee wording requires that an error is made in the payment of the direct debit. We now know that Ms C is disputing the validity of the contract she had with the utility provider and she feels that regardless of any agreement she may have provided initially, the utility provider did not have a legal basis to collect payments from her. But having listened to the calls Ms C had with the bank, it's clear she didn't provide this information to Lloyds when she attempted to raise her direct debit indemnity claim. Ms C repeatedly stated that there had been a payment error, but when she was asked further questions or for more detail about the nature of the error, Ms C told advisors that she didn't believe she had to provide this information. I don't think it was unreasonable that in the absence of an explanation as to what payment error Ms C was alleging, that Lloyds wasn't prepared to raise a direct debit indemnity claim with the originator. I say this noting there were aspects of the claim that could call into question whether there were valid grounds to apply the guarantee - the historic nature of the claim and the duration of payments over the course of three years.

I am aware Ms C was at one stage told her claim was declined because she ought reasonably to have noticed the payments going out of her account. And I appreciate Ms C never advised Lloyds she wasn't aware of the payments. But as outlined above, she didn't provide any explanation for the payment error she was alleging. And so, I don't think it was unreasonable staff attempted to align the claim to the one of the types of payment errors that can be made (as per the categories on Lloyds's system). And I'm satisfied the ultimate reason for any confusion was the limited information Ms C had provided. I'd also note 'payment error' is the reason for all of the direct debit indemnity claims and provides no explanation of what's gone wrong, so I don't think it's unreasonable Lloyds' computer system didn't have a category that aligned with this.

I also don't agree with Ms C that this was a payment error that would have been covered under the direct debit indemnity scheme in any event. Ms C believes that the contract that underpinned the payment agreement she made was invalid and unlawful and as such she feels she is entitled to a refund of the payments. I'd like to be clear that I make no finding on the concerns Ms C has raised about her contract with the utility provider as this is beyond my remit. However, I don't think this is the sort of dispute the direct debit indemnity scheme aims to cover. This is not an error with the payment amount, nor has there been any suggestion this payment was taken without Ms C's knowledge. Instead, Ms C has come across new information which she believes undermines the payment agreement she

¹ Source: <https://www.directdebit.co.uk/direct-debit-guarantee/>

previously made. This is ultimately a contractual dispute. And so even if different categories had been selected when the claim was raised by Lloyds staff and/or the review team had managed to get further information from Ms C about the claim, I don't think this would have changed the outcome.

In terms of the communication and handling of the issue, I can see Lloyds has recognised some errors on its part. Ms C was clearly frustrated by the handling of her claim and spent a lot of time dealing with things.

Having listened to the calls and reviewed the available evidence, I agree there were errors. For example, Ms C was given incorrect figures on more than one occasion unnecessarily leading to additional calls and calculations on her part; and at no stage was the outcome proactively communicated to Ms C, and I think it ought to have been. I'd like to reassure Ms C that I'm aware and have considered the fact there were wait times in addition to the time spent speaking to advisors and so the actual time she spent on the phone was longer.

That being said, I have balanced all of this against the fact that had Ms C chosen to be clearer with Lloyds about the reason why she felt these payments had been taken in error, some of this confusion and the additional calls (including wait times) would have been avoided. I also think the duration of some of these conversations with the advisors was understandable given the historic nature of the claim Ms C was raising and the sheer number of direct debits she was seeking to reclaim. I also think Lloyds did explain to Ms C that the calls would take time, that it may investigate further before accepting the claim and may not refund the funds immediately in certain circumstances, so I think it attempted to manage her expectations.

I appreciate Ms C wants me to get a breakdown of the wait times for the calls she made to Lloyds before reaching my decision, but I don't feel that this is needed in order for me to reach a fair outcome on this complaint. Taking everything into account, I feel that the £75 Lloyds has offered Ms C for its service failings is fair in the circumstances even if there were lengthy wait times on the calls in question. I think this amount fairly accounts for the distress and inconvenience caused to Ms C by Lloyds' errors, acknowledging that some of this was a consequence of the nature of the claim Ms C raised and the level of information she chose to provide to Lloyds initially.

My final decision

For the reasons outlined above, my final decision is that Lloyds Bank plc does not need to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms C to accept or reject my decision before 24 October 2025.

Jade Cunningham
Ombudsman