

The complaint

Mr W complains that Lloyds Bank PLC (Lloyds) have incorrectly applied the rules of the Direct Debit Guarantee and as such he has had to spend time and effort sorting the issue. He would like compensation for the mistakes made.

What happened

In December 2024 Mr W called Lloyds to cancel his direct debit to his mobile telephone provider. He explained that there was a dispute about the amount of money his monthly bill was meant to be. There was a bit of confusion about who the direct debit was set up with, as the mobile telephone provider had been taken over.

Lloyds cancelled the direct debit that they thought was the correct one. However, a few days later the direct debit was paid again. Mr W called Lloyds after the payment was taken to dispute it and potentially cancel the direct debit again.

The call handler discussed the different direct debits that were potentially set up for the mobile telephone provider and agreed to cancel them all. He also put in a Direct Debit Indemnity Claim (DDIC) for Mr W. He explained that a refund would be made in the next couple of days. But he also said an investigation would take place and if the mobile telephone provider disputed the claim, the money could be recalled.

A few days later, the merchant responded to the claim disputing it. They provided evidence to Lloyds of an email invoice sent to Mr W showing the amount that was going to be debited. As such, Lloyds recalled the money from Mr W's account.

Mr W complained to Lloyds. He wanted to know what evidence had been provided that meant the claim was disputed. He said that Lloyds hadn't followed the scheme rules and he wanted his concerns passed to the Lloyds chief executive office.

Lloyds responded to Mr W's complaint and said they were satisfied with how they'd dealt with the DDIC. They also said that their complaint procedure didn't require the CEO's office to respond to Mr W directly.

Mr W was still unhappy, so he brought his complaint to this service. One of our Investigators considered the matter, but they didn't think Lloyds had done anything wrong. They were satisfied they'd followed the Direct Debit Guarantee scheme rules. But also, they acknowledged that from a fair and reasonable perspective Mr W had received a refund from the merchant after disputing it with them directly. He also didn't think Lloyds had done anything wrong by not passing Mr W's concerns to the CEO's office.

Mr W disagreed. He wanted to know specifically how Lloyds had acted in line with the scheme rules. He also said he'd spent a lot of time trying to sort this issue. He asked for an ombudsman to consider the case.

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 the investigator, for broadly the same reasons. I've explained my findings below.

I'd like to reassure both parties I've carefully read all 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.

I'm also aware Mr W requested a telephone conversation ahead of me issuing the decision. In the circumstances of this complaint, I did not find that necessary and felt I had enough information on file to reach a decision. I have however, listened to the calls Mr W had with Lloyds in December 2024 – which I know he felt was important.

The cancellation of the direct debit

I've listened to the call Mr W had with Lloyds on 15 December 2024, where he requests the cancellation of a direct debit. During the call he explains that he is disputing the amount of the direct debit he is paying to his mobile telephone provider. There is some discussion about who is pulling the direct debit because the provider has been overtaken. The call handler finds the most recent direct debit that was paid and cancels that. Mr W was happy with this.

Mr W also asked to set up a standing order as opposed to the direct debit. The call handler explains he is unable to do this because he needs the payee's details.

I'm satisfied the call handler did what was asked of him during the call and explained clearly why a standing order could not be set up. Therefore, I do not think Lloyds did anything wrong during this call.

The DDIC

The Direct Debit Guarantee applies to all direct debits. It enables account holders to receive an immediate refund from their bank in certain – but by no means all – circumstances. 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 cannot be used to address contractual disputes between a customer and the billing organisation.

Unfortunately, the direct debit was still taken following the conversation Mr W had with Lloyds on 15 December. When he called to ask about this, the call handler agreed to cancel all other direct debits that were set up to the mobile telephone provider. He also made a DDIC on behalf of Mr W. This resulted in Mr W receiving an immediate refund of £29.95, which was the amount taken and the amount he was disputing.

The call handler explained to Mr W that Lloyds will validate the claim and complete an investigation. He goes on to say that sometimes this results in the third party disputing the claim, which can mean the money is recalled from Mr W's bank account. Mr W said he understood. I'm therefore satisfied that Mr W was informed that Lloyds could potentially take the money back out of his account – if the claim was challenged.

From the information I've seen the mobile telephone provider disputed the DDIC within seven days and provided Lloyds with a copy of an email invoice that was sent to Mr W explaining when the direct debit would be taken and detailing the amount of £29.95. When Lloyds received this, they recalled the funds from Mr W's account.

I understand this was frustrating for Mr W and he says the invoice is incorrect, but I'm satisfied that Lloyds were acting in line with the Direct Debit Guarantee Scheme rules. Under these rules, the third party can dispute the claim and provide evidence to challenge it, which is what happened here.

I note Lloyds suggested that Mr W contact his mobile telephone provider directly about the contract dispute (amount to be paid). But Mr W had already done this, because the dispute was ongoing. However, I'm also aware that Mr W has since been re-imbursed the money from his mobile telephone provider. Therefore, even if I thought Lloyds had acted unfairly, I wouldn't ask them to refund the direct debit again – as this would mean Mr W has double benefitted.

Overall, I'm satisfied with the way Lloyds handled the DDIC and I don't require them to do anything further. I know Mr W feels particularly strongly about this and wants reference to the specific scheme rules which allow Lloyds to recall the funds. But I'm satisfied from a fair and reasonable basis that Lloyds acted reasonably on the information they had available at the time the claim was challenged.

Referring matters to the CEO

I understand Mr W wanted to raise his complaint with Lloyds CEO's office, and he is unhappy he didn't receive a response. It's for Lloyds to decide how they deal with complaints and in this instance, they issued several final response letters to Mr W outlining their stance.

I'm aware Mr W spoke with a call handler in May 2025 and they explained that because a final response letter had been issued, it would be unlikely that he would receive a response from the CEO's office. So, I'm satisfied Lloyds managed Mr W's expectations and made clear to him what the next steps would be – for example referring the matter to this service.

Complaint handling in itself is not something this service has the jurisdiction to consider. That means I cannot comment on how Lloyds choose to deal with complaints, or who responds. But having looked at the contact notes, I'm satisfied with the level of customer service provided by Lloyds and do not think they need to do anything further.

I'm aware Mr W feels very strongly about his complaint, and he has spent a lot of time trying to sort this problem. But given that I do not think Lloyds has done anything wrong, I have not awarded any compensation. But to be clear, if I did think compensation was warranted, I'd look at things holistically to decide how much distress and inconvenience to award, rather than re-imbursing the time Mr W has spent.

My final decision

For the reasons I've explained above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 20 February 2026.

Rachel Killian
Ombudsman