

The complaint

Miss C complains that Lloyds Bank PLC failed to raise an indemnity claim under the Direct Debit Guarantee (the Guarantee).

What happened

Miss C contacted Lloyds to raise a direct debit indemnity claim. She asked Lloyds to credit her account with the value of a number of direct debits that had been claimed from her account over several years by a water company.

Lloyds said it wasn't going to refund the payments because Miss C's reason for the claim wasn't covered by the Guarantee. It said Miss C needed to contact the water company directly about any service issues.

Miss C referred her complaint to our service. She said she was entitled to a full and immediate refund under the Guarantee as the water company had not been able to provide evidence that she had signed a contract with them.

One of our investigators considered what had happened. But she said, in summary, that she didn't think Lloyds had acted unfairly by not refunding Miss C. She noted Miss C had told Lloyds she had agreed to the direct debits being taken, but she had concerns about the quality of the service (the drinking water being provided) by the water company. The investigator agreed with Lloyds that the Guarantee didn't apply in this situation.

Miss C asked for her complaint to be escalated to an Ombudsman. So, the complaint has been passed to me.

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.

It's clear Miss C feels strongly about her complaint, and I have only summarised what has happened. So, I want to reassure Miss C that I have read and considered everything that she's provided – including her emails sent after the investigator's initial outcome letter. As an informal dispute resolution service, we are tasked with reaching a fair and reasonable conclusion with the minimum of formality. In doing so, it is not necessary for me to respond to every point made, but to concentrate on the crux of the issue.

The crux of Miss C's complaint is whether Lloyds has acted unfairly in not refunding the direct debit payments under the Guarantee. Having considered this, I've reached the same overall conclusion as the investigator. I know Miss C will be disappointed, so I'll explain why.

The Direct Debit Guarantee is designed to protect customers from having payments taken from their accounts in error - for example, the wrong amount taken, or the payment is taken on the wrong day. In these circumstances, customers are entitled to a full and immediate refund of the amount that's been debited from their bank or building society. But the

Guarantee doesn't apply in all circumstances – for example, a dispute about the underlying contract or the quality of the service provided.

I've reviewed the communication between Lloyds and Miss C. And from what I've seen Miss C has acknowledged that she authorised the water company to claim the direct debits payments from her account. And that she is receiving a service from the water company.

What is in dispute is the quality of the drinking water that Miss C is provided with. As this is a dispute about the service provided by the water company, rather than the wrong amount being taken or the direct debit being claimed on the wrong date, I'm satisfied that this isn't a dispute covered by the Guarantee. It follows, therefore, that I don't find that Lloyds has treated Miss C unfairly in not refunding the direct debit payments.

If she hasn't already done so, Miss C may be able to raise her concerns with the Consumer Council for Water (<https://www.ccw.org.uk>).

I've noted that Miss C has concerns that Lloyds delayed responding to her complaint. As the investigator has explained - when a complaint is raised, a business has eight weeks to issue its Final Response on the complaint. Based on what I've seen, while Miss C first contacted Lloyds about a refund in July 2025, she didn't complain about the bank failing to provide a refund until 12 August 2025. The final response was sent on 3 October 2025. This is within the timescale set out in the complaint handling rules.

My final decision

For the reasons given above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss C to accept or reject my decision before 24 February 2026.

Sandra Greene
Ombudsman