

The complaint

P, a company, complains that THE CO-OPERATIVE BANK P.L.C. reversed a refund for a disputed direct debit payment.

The complaint is made by Miss P, as a director of P.

What happened

On 17 February 2025, P's phone provider, B, claimed a direct debit payment of over £12,700 from P's account with Co-op Bank. Miss P contended that she had received no notice of this, the usual monthly payment being £200.

Under the terms of the direct debit guarantee, Co-op Bank refunded the direct debit payment to P's account. It raised an indemnity with B on the basis that P had not been given any advance notice of the direct debit payment. B challenged this and produced a statement of the amount due dated 3 February, advising that the amount would be claimed on or just after 17 February.

In response to this Co-op Bank accepted B's challenge and paid out the direct debit amount again. At the same time, it advised P that this had been done. It said that it had complied with the terms of the guarantee and the BACS regulations. In its final response, it said that on raising the direct debit indemnity, the adviser should have been clearer and explained that the company was entitled to challenge the claim and if they could provide evidence that this claim was not valid, P's account would be redebited with the funds, without notice and a letter issued advising of the company's challenge. It offered £50 compensation for this.

Miss P contended that the statement had never been received, and that she had never received any advance notification from B since the contract began in 2021. So, she said that Co-op Bank's response, accepting the statement from B as evidence, was unreasonable. She felt that she had raised the indemnity in good faith, and that Co-op Bank's actions in failing to ensure that these statements had been received by her were unreasonable.

In respect of the investigation by the Financial Ombudsman Service, our Investigator said that they were unable to say Co-op Bank had acted unfairly or unreasonably. They further said that Co-op Bank had acted within the terms of the direct debit guarantee.

Miss P didn't agree and the matter has been passed to me for an Ombudsman's review.

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 think it is important first of all to point out that the direct debit guarantee is not a mechanism for disputing a bill. I say this because I can fully understand Miss P's shock at receiving notification of such a huge payment going out as a direct debit. And she has showed us documents of her substantial challenge to B regarding the telephone and data usage, which

she believes to be fraudulent.

However unfortunately I can't take that into account. I can only look at whether Co-op Bank complied with the terms of the direct debit guarantee and associated regulations. When raising an indemnity there are limited grounds for this. And they don't include disputes over whether the payment is actually due.

So in this case, Miss P said that no advance notice had been given. That is a valid ground for indemnity, and Co-op Bank provided an immediate refund. The rules say that the service user (the receiver of the payment) can challenge this by providing evidence that the advance notice had been given. In this case this was a statement setting out the payment due, and that *"this payment will be taken from your bank account on or just after 17 February"*. As far as I can see the address on it is the address that Co-op Bank had for Miss P and which she has given us. That appears to me to be a valid advance notice. The direct debit guarantee says this about advance notices:

"This is usually in the form of a bill but could be a simple letter, text or email note if, for example, you've signed up to pay for something in instalments."

It also says: *"To note, missing the communication is not grounds for a refund."*

So on the basis that the statement provided by B looks to me like a typical statement from that company, I don't think it was unreasonable that Co-op Bank accepted that as evidence that the relevant advance notice had been provided. I also think it was fair to assume the statement, having been addressed correctly, was received. I've noted that Miss P asserts that P never received advance notification of any direct debits from 2021 when the contract began. But again, that is a matter between her and B.

The regulations say that the service provider (Co-op Bank in this case) must respond to that challenge within two working days. I see that it did so and that it notified Miss P that it was repaying the direct debit. Again, I don't think that was unfair and Co-op Bank did act within the rules.

I've noted that Co-op Bank said it didn't explain to Miss P at the time of raising the indemnity, that it could be challenged and the account would be redebited if this was successful. Co-op Bank has offered £50 for this, which I believe she hasn't accepted. I should explain that the complaint is made by a limited company, P. As a company it can't suffer distress though it can be inconvenienced if its director(s) has (have) been inconvenienced. So whilst I understand that Miss P may have been upset when this happened, I can't award compensation for her personal distress. On that basis I think the £50 offered is reasonable.

I understand Miss P's point that Co-op Bank should have noticed the discrepancy in the payment and notified Miss P of this, Whilst Banks do in some cases notify the customer of an increase or decrease in a direct debit or other regular payment, this would be sent as a notification rather than an advance warning. As until the payment is claimed the Bank won't know about it. And of course, the guarantee is intended to deal with any errors on the part of the Bank or service user.

So overall although I have a lot of sympathy for Miss P over the amounts that B has attempted to charge P, I can only be concerned with Co-op Bank's position. In that respect, I'm satisfied that it acted reasonably and within the terms of the direct debit guarantee and regulations.

My final decision

Co-op Bank has already made an offer to pay £50 to settle the complaint and I think this offer is fair in all the circumstances.

So my decision is that THE CO-OPERATIVE BANK P.L.C. should pay £50.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 4 December 2025.

Ray Lawley
Ombudsman