

## The complaint

Mr R complains that Lloyds Bank PLC hasn't agreed to a refund a series of direct debits under the direct debit guarantee scheme.

## What happened

Between March 2022 and December 2024, a car finance company (who I will call M) claimed monthly direct debit payments from Mr R's account with Lloyds. But Mr R says he hadn't entered into an agreement with M. So, he contacted Lloyds seeking a refund under the direct debit guarantee scheme (the guarantee).

Lloyds told Mr R that the circumstances didn't meet the criteria for a claim under the guarantee and that he should contact M directly. But Mr R says he did contact M and that he was told he didn't hold an account with them. So, he raised a formal complaint to Lloyds.

Lloyds didn't uphold Mr R's complaint. It said that the payments had been taken from his account monthly for three years. And it thought it was unusual that Mr R hadn't realised there was a problem sooner than he did. It reiterated that Mr R should contact M directly to raise a dispute with it. Unhappy with the outcome, Mr R referred his complaint to this service.

When responding to our enquiries Lloyds didn't think it had handled Mr R's claim under the guarantee unfairly. But it said - on review of the complaint, it had identified some service failings from when Mr R first raised the claim. And it made an offer to pay Mr R £80 compensation in recognition of this.

Our investigator put the new offer to Mr R, but he rejected it and asked the investigator to fully look into his complaint.

Having done so, the investigator thought Lloyds' offer to pay Mr R £80 for the service issues experienced was fair. But he didn't think Lloyds had treated Mr R unfairly in not refunding the payments in dispute. In summary he said:

- Lloyds has a responsibility to check that a claim meets the terms of the guarantee.
- Mr R had told Lloyds that he had sold a car in January 2022, but shortly after he'd purchased a new car. And the payments to M coincided with the purchase of the new car.
- The electronic direct debit details held by Lloyds matched Mr R's name and account details.
- Lloyds had provided evidence to show that Mr R had regularly accessed his account via on-line banking, which included opening messages enclosing his bank statements. And he thought Mr R should have been aware of transactions given the amount involved and raised his concerns sooner if he thought a mistake had been made.
- Mr R should contact M directly.

Mr R didn't agree with this outcome. He said:

- He had never signed an agreement with M, and the direct debit mandate may have been fabricated as Lloyds had not provided a copy of it.
- The guarantee means unauthorised payments must be refunded immediately.
- As soon as he realised the payments had been debited to his account, he contacted Lloyds, but he was told to contact M directly.
- The £80 does not reflect the scale of his loss.

And he asked for his complaint to be referred to an Ombudsman. So, the complaint has been passed to me 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.

Having done so, I reached the same overall conclusion as the investigator for broadly the same reasons – although I will provide some further explanation.

Mr R has questioned the validity of the direct debit mandate as Lloyds has not provided a signed copy of it. So, it may be helpful if I explain that direct debits are set up electronically by the originator (in this case M) via a system known as the Automated Direct Debit Instruction Service (AUDDIS). As such, the signed mandate is not held by Lloyds – rather it holds an electronic record of it. The actual signed mandate would be held by M in line with the AUDDIS system.

Because direct debits are set up using an automated system, the guarantee forms part of the agreement when a customer agrees to making payments using this method. In 2023, when the payments started to be claimed from Mr R's account, the terms and conditions of the guarantee say:

*The Direct Debit Guarantee applies to all Direct Debits. It protects you in the rare event that there is an error in the payment of your Direct Debit, for instance if a payment is taken on the incorrect date, or the wrong amount is collected. It cannot be used to address contractual disputes between you and the billing organisation.*

This means that account holders may receive an immediate refund from their bank in certain circumstances – but not all. Most genuine errors in payments will usually come to light relatively quickly. Where that's the case, I might expect a bank or building society to refund immediately.

But where several years have elapsed without the payments being challenged, as is the case here, I'm persuaded that Lloyds is not obliged to refund immediately and without question. I'm satisfied the details of the direct debit guarantee I've highlighted above set out that the entitlement to an immediate refund isn't guaranteed. It requires that an error is made in the collection of the direct debit.

And here M claimed the direct debit on numerous occasions over a period of years before it was cancelled. And Mr R didn't dispute the direct debit for several months afterwards. Had Mr R's direct debit been claimed on the wrong date or the wrong amount or he didn't recognise the payments at all, I consider it reasonable that he would have raised this matter sooner than he did. Particularly, as Lloyds has provided evidence that Mr R was reviewing his statements and assessing his account regularly during the period in question.

Given all the above and taking into account that Mr R hasn't provided any documentary evidence to support that the payments he is now disputing were made in error, I'm not persuaded that Lloyds was wrong to decline Mr R's claim. Rather I think it is more appropriate for Mr R to contact M as I'm persuaded what has happened here is more aligned to a contractual dispute which the guarantee doesn't cover.

That said, Lloyds has acknowledged that the service Mr R received when he initially contacted it to raise his claim wasn't as good as it should have been. And I've seen that initially it only included two direct debit payments when it reviewed Mr R's claim and, as a result, Mr R had to contact Lloyds again spending a lengthy time on Lloyds' web chat.

Lloyds has offered £80 in recognition of the inconvenience this caused. Overall, I think £80 compensation fairly recognises the impact on Mr R having to contact Lloyds more than once and the time spent doing so.

### **My final decision**

For the reasons given above, I uphold this complaint to the extent that Lloyds should have provided a better service to Mr R when he initially contacted it.

Lloyds Bank PLC should now pay Mr R £80 if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 10 March 2026.

Sandra Greene  
**Ombudsman**