

The complaint

Ms M is unhappy that Bank of Scotland plc trading as Halifax declined to raise a Direct Debit indemnity claim to recover payments made to a third-party creditor.

What happened

Ms M holds a current account with Halifax, from which she makes regular monthly payments to a third-party creditor under a finance agreement.

In 2025, Ms M contacted Halifax requesting they raise a Direct Debit indemnity claim on her behalf. She said payments to the third-party creditor had been taken unlawfully and without her authorisation.

Halifax declined to raise the claim, as they said Ms M's request did not fall under the terms of the Direct Debit Guarantee. Unhappy, Ms M complained.

Halifax responded to Ms M's complaint, but they maintained their position. They explained that a Direct Debit indemnity claim was designed to be used in situations whereby a Direct Debit had been claimed on the wrong day, or for the wrong amount for instance; it wasn't designed to be used in situations whereby there was a dispute with the third party over what the payments were for. They said that given Ms M was arguing the validity of a contract with the third-party and was looking to reclaim around six-years' worth of payments, she would instead need to raise her concerns with the third-party directly. Unhappy, Ms M brought her complaint to our service.

An investigator considered the matter but ultimately didn't think the complaint should be upheld. He said in summary, the same thing Halifax said – that a Direct Debit indemnity claim was not designed to be used for this purpose. So, he didn't direct Halifax to do anything further in the circumstances.

Ms M remained unhappy. So, the case has been passed to me, an Ombudsman, 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, and while I accept this may be disappointing for Ms M, I've reached the same conclusions as the investigator, and for broadly the same reasons.

Ms M hasn't provided our service, or seemingly, Halifax with a great deal of detail regarding what sits behind her dispute with the payments to the third-party, other than to state that they were taken unlawfully, and that she had not signed a legally binding contract authorising them to take payments.

Equally Ms M was seemingly trying to use the direct debit reclaim service to recover a large number of payments as a result of this contractual dispute, rather than using the service to

support her in recovering funds from what might otherwise be deemed an administrative error.

It's important to note that a Direct Debit Indemnity claim, as the investigator has set out, is there to cover issues whereby there is some kind of administrative error in payments being taken. Such as instances whereby the wrong amount has been claimed, or the direct debit has been claimed early for instance. It enables account holders to receive an immediate refund from their bank in certain – but by no means all – circumstances. And it is there to provide protection to customers who have provided originators with access to their accounts in order to collect money. Most genuine errors will therefore come to light relatively quickly.

The direct debit guarantee isn't there to cover contractual disputes between a consumer and the third-party taking the funds, which is what seems to be the issue here - with concerns being raised over payments spanning a number of years, and questions over whether or not the third-party was ever authorised to claim the funds. So, in the circumstances, I don't think Halifax's decision to decline the claim is unreasonable.

There may be other times where banks can help with the situation Ms M finds herself in, but I would encourage her in the first instance to reach out to the third-party creditor to deal with the issue. She could also enquire with Halifax as to whether there is any other method, outside of the Direct Debit indemnity claim where they may be able to provide further support.

So, while I appreciate this may come as a disappointment to Ms M, for the above reasons, I won't be asking Halifax to do anything further.

My final decision

My final decision is that I do not uphold Ms M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms M to accept or reject my decision before 13 March 2026.

Brad McIlquham
Ombudsman