

## The complaint

Mr D complains TSB Bank plc paid a Direct Debit to a third-party company after he had obtained a refund from TSB under the Direct Debit Guarantee.

## What happened

Mr D explained a third-party merchant took a payment of approximately £40 in mid-November 2025 through an agreed Direct Debit (DD) mandate from his TSB current account.

Mr D explained this DD payment request was incorrect as his contract with the company in question had concluded. Mr D therefore contacted TSB for a refund. TSB raised a Direct Debit Indemnity Claim (DDIC) and refunded him.

A few days later the funds left Mr D's TSB account again. Mr D contacted TSB who said the third-party company had provided evidence it hadn't made a mistake when it had claimed the funds. TSB refused to raise a further DDIC.

Mr D says he had evidence which showed the payment requested by the third-party was incorrect, but TSB wouldn't accept it. Mr D explained he had to resolve the matter with the third-party directly to get a refund.

Mr D said TSB has refused to accept it didn't follow the Direct Debit Guarantee (DDG) and he would like TSB to apologise and ensure this doesn't happen in the future.

TSB wrote a final response letter to Mr D. It explained the DDG gives the right to a full and immediate refund if an error is made. TSB said it complied with this when Mr D first contacted it and gave him a refund. TSB said the third-party company '*successfully challenged*' the claim, and therefore, as the DDG states, if a customer receives a refund they are not entitled to, they must pay it back.

TSB appreciated Mr D had provided evidence showing the third-party owed him money, but said this would be a separate matter from the DDG, which he would need to raise with the third-party directly.

TSB did accept its service fell below the level it expected during a telephone call in late November about this issue. TSB paid Mr D £25 compensation for the distress and inconvenience this caused.

Our investigator didn't think TSB needed to take any further action. They explained TSB acted correctly when it promptly returned the payment under the DDG. However, they recognised third-parties can choose to dispute DDICs and provide evidence to support their claims, which is apparently what occurred here.

Our investigator thought TSB had acted on the information they received inline with the DDIC. They thought it was reasonable of TSB to explain the dispute was now between Mr D and the third-party company after Mr D presented evidence showing the third-party owed him money. Our Investigator also recognised Mr D and the third-party were likely in a contractual billing arrangement, and as such TSB wouldn't be aware of the details.

Mr D rejected our investigators recommendation, explaining the DDG was clear, and as the third-party had made an error, he was entitled to a full refund from TSB. He therefore maintained the DDG hadn't worked as intended.

As Mr D rejected our investigator's recommendation, his complaint has been passed to me to make a final decision.

### **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 appreciate how strongly Mr D feels about his complaint. Although I may not mention every point raised, I have considered everything but limited my findings to the areas which impact the outcome of the case. No discourtesy is intended by this, it just reflects the informal nature of our service.

Where evidence is incomplete, inconclusive or contradictory, I have to make decisions on the balance of probabilities – that is, what I consider is more likely than not to have happened in light of the available evidence and the wider surrounding circumstances.

Firstly, Mr D is correct to state where an error has occurred with a DD, he is entitled to a full and immediate refund. This is set out in the terms and conditions of the DDG.

I note that the initial response from TSB was to accept Mr D's claim for a refund, in line with the DDG. TSB accepted Mr D's version of events at face value, that there had been an error, and paid the funds back to him in full.

However, the key term in the DDG is whether an '*error*' has occurred. To explore this point, I will explain what usually happens when a DDIC is raised.

Usually, the DDG will cover situations where a business claims a DD incorrectly, for example, claiming funds on the wrong date or for an incorrect amount. In summary, it covers where a business has made an error regarding a DD. The business is then notified of the customer raising a DDIC and can defend the claim if it wishes to. Where an error has occurred, the business would likely recognise the mistake and reasons for the claim and not dispute the DDIC further. It would then accept the refund already made by the bank. This means customers don't have to go through a potentially lengthy disputes process with the company and can be reimbursed quickly.

In Mr D's circumstances, whilst it appears likely from the evidence provided that the company taking the DD made an '*error*', the company then chose to defend its DD claim, as it is allowed to do. The evidence provided by TSB suggests the third-party produced a copy of the '*advanced notice*' or bill, showing it had told Mr D about the payment it was trying to claim.

Whilst this is regrettable, I am satisfied it is likely to have persuaded TSB the funds had indeed been correctly taken as agreed through the original mandate. It appears likely this was a mistake by the third-party, but I must consider what I would reasonably expect TSB to do in these circumstances when the parties disagree.

Mr D's position is TSB should have considered his evidence before claiming the refund back. I certainly have some sympathy with his position and can understand why Mr D was frustrated when TSB didn't contact him and wouldn't accept his evidence. But I also accept TSB can't be drawn into what would have more than likely appeared to it to have been a contractual dispute between Mr D and the third-party.

Fundamentally, TSB can't make a judgement about whether the company was owed the funds or not, only deal with the claim through the process as set out above, which I am satisfied it did.

Taking all this into account, whilst I accept Mr D appears to have raised reasonable issues about the DD, I'm not persuaded it is fair or reasonable to expect TSB to arbitrate any further in the dispute. In summary, TSB appears to have acted in line with the DDG process, when

the company provided evidence it had complied with the requirements to notify Mr D of the payment request.

My remit is to decide whether I think TSB acted fairly and reasonably here. I don't think I can find, on balance, the actions of TSB were unreasonable or unfair. I accept TSB couldn't decide whether the funds were owed or not and apparently followed the set DDIC process. Therefore, its assessment this was likely a contractual issue between the two parties appears reasonable.

I appreciate Mr D is likely to be disappointed with my decision, but I trust I have explained in sufficient detail why I'm not persuaded TSB needs to take further action or acted unfairly.

### **My final decision**

For the reasons I have given, my final decision is I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 19 May 2026.

Gareth Jones  
**Ombudsman**