

complaint

Company B complains that Close Brothers Limited didn't set up a direct debit correctly which led to its insurance policy being cancelled, a cancellation fee becoming payable and a default fee from Close Brothers. It's being represented in this complaint by its director, Mrs L.

background

Company B agreed to pay insurance premiums to a third party using a credit agreement with Close Brothers in July 2017. A direct debit mandate form was provided to Close Brothers in September 2017 which Company B says was for it to collect the payments due under the credit agreement. But the direct debit mandate form was completed incorrectly and it gave the account number for Mrs L's husband's account and was signed by him. So the direct debit wasn't set up and the monthly payments weren't made - which resulted in the insurance policy being cancelled and a cancellation fee of £149.16 being charged. Close Brothers also charged a default fee of £30. Company B complained to Close Brothers but wasn't satisfied with its response so complained to this service.

The investigator recommended that this complaint should be upheld. He said that the cancellation of the policy and other consequences weren't a fair reflection of how the account had been managed. So he recommended that Close Brothers should waive the £30 default fee; remove any negative information applied to Mrs L's credit file; and reimburse the £149.16 that had been charged for the cancellation of the insurance.

Close Brothers has asked for this complaint to be considered by an ombudsman. It says, in summary, that the direct debit mandate was signed by Mrs L's husband (who has a personal credit agreement with it) and it was his account number that was quoted. It says that it would be an inadequate practice to update two credit agreements when that wasn't explicit on the mandate. It says that it remains satisfied that a default fee was correctly applied to Company B's account but that it hasn't contacted any credit reference agencies in connection with this matter.

my findings

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

The direct debit mandate clearly shows that the account holder is Company B but the account number specified is Mrs L's husband's and he has signed the mandate. So I consider that it should've been clear to Close Brothers that the mandate hadn't been completed correctly. And I consider that it would've been appropriate for it to have contacted Mrs L's husband to check his intentions. Had it done so I find it to be more likely than not the mandate would've been set up correctly and that the later problems would've been avoided. I'm satisfied that Mrs L wanted to set up the mandate on Company B's account to make payments for the insurance policy.

Close Brothers' failure to do so has led to the £30 default fee being applied to Company B's account, its insurance policy being cancelled and the cancellation fee of £149.16 being charged. So I find that it would be fair and reasonable in these circumstances for it to waive the default fee, reimburse the cancellation fee to Company B and to ensure that no adverse information about these events is recorded on any of the parties' credit files.

my final decision

For these reasons, my decision is that I uphold Company B's complaint. In full and final settlement of it, I order Close Brothers Limited to:

1. Waive the £30 default fee.
2. Pay £149.16 to Company B to reimburse it for the cancellation fee.
3. Ensure that no adverse information about these events is recorded on any of the parties' credit files.

Under the rules of the Financial Ombudsman Service, I'm required to ask Company B to accept or reject my decision before 1 March 2018.

Jarrold Hastings
ombudsman