

The complaint

Mr S complains that Bank of Scotland plc (BoS) wouldn't refund money paid on direct debits.

What happened

Mr S has a current account with BoS. The account was debited with direct debit payments for £79.45 for 12 months between June 2021 and June 2022. The beneficiary was an energy company – which I shall call 'E'. Mr S said he didn't recognise the payments and asked for a refund under the direct debit indemnity scheme. BoS declined his claim.

Mr S complained. He said he didn't recognise the payments, nor did he have an energy contract with the beneficiary ('E'). He said he paid for his energy by cash. He said BoS should refund the amounts paid.

BoS said they had made the decision not to refund the amounts and suggested that Mr S speak to E directly. BoS said Mr S was previously paying an energy company ('NE') £79.45 each month up until April 2021. Both E and NE appeared to be part of BG group, and this would explain why the payment amount continued at £79.45, despite the energy provider changing. BoS apologised for some of the service Mr S received and paid compensation of £150.

Mr S brought his complaint to us. Our investigator didn't uphold it. Looking at the direct debit indemnity claim, he could see that the same amount had been paid for 12 months, and there was an obligation on Mr S to notice the money being paid out. His account went into overdraft when the direct debit was paid out, and he then transferred money in to repay the overdraft – so this suggested Mr S was aware of the direct debit. So – he could see why BoS declined the refund.

Mr S didn't agree and asked that an ombudsman look at his complaint, and so it has come 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.

For reasons of confidentiality, I can't name the energy companies involved.

When dealing with direct debit refund claims, we expect firms such as BoS to take a practical view on whether a refund should be made or not. Direct debits are originated by the beneficiary (not the banks), and the onus is on the beneficiary to claim money from customers' bank accounts – in an accurate way. The bank (BoS in this instance) – has no knowledge of the contract that Mr S (or any other customer) may have with the beneficiary – the energy supplier in this case.

I can only look at whether BoS acted reasonably in responding to Mr S' request for a refund – and I think they did. They told us that E had claimed the same amount from Mr S' account

for 12 months – between June 2021 and June 2022. And – Mr S should've reasonably have noticed that earlier and advised BoS. But he didn't. But also – prior to that, he paid the same amount to BG under his energy contract with BG. So – it appeared that the payments related to the continuation of Mr S' energy contract. I think that was a reasonable conclusion for BoS to come to.

To be clear – our service has no involvement with, or responsibility for, energy providers - we only look at complaints about financial services firms. But to try to be helpful, I looked at matters further. We asked BoS to ask the beneficiary more questions – to be certain of what had happened. BoS did that – and showed us the reply which came from BG. This confirmed that BG acquired NE in April 2021. And the payments being made by direct debit by customers of NE were transferred to BG. I can also see that the reference number on the direct debits claimed between June 2021 and June 2022 was the same as that used before that time. So – the amounts and reference numbers didn't change.

I can't explain why the payments were made to a beneficiary named E. I looked at the notes of the calls between Mr S and BoS – and Mr S said his previous energy provider was NE. So – it's reasonable to conclude that the payments were for Mr S' energy contract, both before June 2021 and thereafter– firstly with NE, and then to BG when NE was acquired.

Mr S says that as BoS paid compensation of £150, that means they've admitted they were wrong to decline the refunds – but that's not the case. The payment was for some service failings in dealing with Mr S's complaint – and for the long calls he had to make. BoS's final response didn't say they were wrong to not refund the direct debit amounts.

In summary, having reviewed what happened here, I'm satisfied that BoS acted reasonably. I know Mr S will be disappointed by my decision, but I'm not asking BoS to do anymore here.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 22 August 2023.

Martin Lord
Ombudsman