

The complaint

Mrs R is unhappy that Nationwide Building Society processed a direct debit for four months without her authorisation.

What happened

The details of this complaint are well known to both parties, so I won't repeat them all here, instead I'll briefly recap the key points.

Mrs R contacted Nationwide when she noticed there were direct debit payments taken from her current account to a broadband provider which she did not recognise. Nationwide refunded the payments and the overdraft charges Mrs R had incurred because of the payments.

Mrs R's complaint is as follows:

- Nationwide didn't contact her to let her know that her account had been debited for four months and was overdrawn.
- She had to request for the overdraft charges to be refunded before they were.
- She received a letter stating she had accepted Nationwide's decision and the complaint was closed when she had not.
- Nationwide didn't answer a letter she says she sent by recorded delivery.

In response to Mrs R's complaint, Nationwide explained that the broadband provider set up the direct debit electronically, rather than by sending a paper mandate. It said when a new direct debit instruction is sent, it checks the sort code and account number matches the account. Nationwide said it couldn't investigate why the direct debit was set up as this is managed by the broadband provider. However, it apologised for closing the complaint without obtaining Mrs R's confirmation and offered to pay her £50 compensation.

Mrs R didn't accept what they said and brought her complaint to us. Mrs R would like £100 compensation for the inconvenience she was caused.

Our investigator didn't think the complaint should be upheld. He said it's not clear whether Mrs R entered a contract with the broadband provider or not, but it would be something she would have to take up with them directly. He said businesses can send new direct debit instructions electronically and they don't have to be done in person. Our investigator didn't think he could hold Nationwide responsible for what happened. And he thought it dealt with the matter as he would expect it to.

Our investigator didn't think he could consider the issue of Nationwide closing the complaint because it isn't a regulated activity. As such he said Mrs R would need to contact Nationwide directly if she wished to accept its offer.

Mrs R doesn't accept what the investigator said and asked for an ombudsman's decision. She says both Nationwide and the broadband provider should be held responsible for subscribing to an electronic direct debit system that is not error free. Mrs R says it's wrong

the system only checks for sort code and account number and doesn't require a payee name. Mrs R thinks she ought to be compensated by Nationwide for processing the transactions for four months without informing her.

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 agree with the outcome reached by the investigator, and for similar reasons.

Firstly, I want to reassure Mrs R that I've taken into account everything she has said. However, I haven't commented on it all here, instead I've focused on explaining what I think is key to the decision I've reached. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome.

I think it would be helpful to explain that all banks and building societies use a system known as AUDDIS (Automated Direct Debit Instruction Service). More information can be found here:

<https://www.bacs.co.uk/bacs-schemes/direct-debit/services/auddis/>

But in summary, this means it's the direct debit originator – in this case the broadband provider, who sets up the direct debit rather than the bank or building society.

So, what I have thought about is whether Nationwide treated Mrs R fairly in the particular circumstances of this complaint. Overall, I find it did and I'll explain why.

Mrs R says she didn't authorise the direct debit, but – in light of the above, I'm satisfied Nationwide isn't responsible for this as it is for the company collecting the payments to manage.

I appreciate Mrs R's concern about errors that can occur via the electronic system, but that is why the direct debit system includes a direct debit guarantee. Its there to protect account holders and entitles them to a full and immediate refund from their bank if a mistake has been made by the direct debit originator.

It's not been disputed that the direct debit may have been setup in error from Mrs R's account. When Nationwide became aware of the issue, it said it raised a direct debit indemnity claim under the direct debit guarantee and it refunded the payments and the overdraft charges that Mrs R incurred. Therefore, Mrs R has not lost out financially as a result of what's happened, and I'm satisfied Nationwide has done what I would expect it to in the circumstances.

Mrs R wants to know how the error occurred and would like Nationwide to carry out more of an investigation into the matter. I can understand Mrs R's feelings, but as mentioned above Nationwide isn't responsible for setting up the direct debit instructions, so I can't fairly expect it to investigate the matter any further.

Mrs R says Nationwide didn't make her aware that direct debits were being taken from the account or that the account went overdrawn. Even though Mrs R says she had not used the account for several months, it was still active, and I think it's reasonable to think that Mrs R should be monitoring the account. Nationwide has shown that account statements were generated monthly and, as this was a paperless account, they were made available online.

While the payments did take Mrs R into her overdraft, I find the statements were enough to make Mrs R aware of the problem.

Ultimately, I don't find Nationwide did anything wrong in respect of the direct debit instructions. And it acted quickly and refunded the payments in good time when it was made aware of the problem. While I accept the overdraft charges were initially missed from Nationwide's resolution, this was also rectified in a reasonable amount of time. Therefore, I'm satisfied it treated Mrs R fairly and reasonably in its handling of the matter.

Nationwide offered Mrs R £50 in compensation for the way it handled her complaint. I appreciate it's frustrating that it closed the complaint prematurely and didn't acknowledge the letter she sent. However, I can see it already gave Mrs R its answer to her concerns during telephone calls, so overall I find £50 fairly compensates Mrs R for the upset this caused her.

My final decision

For the reasons I've given above, I don't uphold this complaint – in the sense that Nationwide has already offered Mrs R fair compensation.

If it hasn't already done so, Nationwide Building Society should now pay Mrs R the £50 compensation it has offered.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs R to accept or reject my decision before 1 February 2024.

Oluwatobi Balogun
Ombudsman