

The complaint

Mr D complains Lloyds Bank PLC won't refund him for direct debits.

What happened

Mr D contacted Lloyds to raise a direct debit guarantee claim. Mr D said payments to a utility company had debited his account six or seven years earlier and these were unauthorised.

Lloyds asked Mr D to go to the company and find out the service user number the utility company was using. Lloyds said it needed this because the direct debits had been cancelled too long ago for Lloyds to still hold records.

Mr D complained to Lloyds and said he was entitled to an immediate refund once he'd raised the direct debit guarantee. Mr D wasn't going to carry out any tasks for Lloyds as it should be refunding him immediately.

Lloyds responded to say it still needed the service user number and if Mr D could get this it would press ahead with the claim.

Unhappy with this response, Mr D brought his complaint to this service. An investigator looked into things and didn't think Mr D's complaint should be upheld.

The investigator thought Lloyds was entitled to ask for this number. The investigator said the immediate refund was applicable where there'd been an error with a direct debit, and Lloyds was allowed to ask for more information to see if an error had happened.

The investigator didn't think Lloyds should refund the direct debit payments. Mr D disagreed and said he couldn't prove the bank had made an error, so he was in an impossible position. Mr D asked for an ombudsman to decide things.

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.

The direct debit guarantee says if an error is made in the payment of your direct debit, you are entitled to a full and immediate refund from your bank.

The direct debit payments left Mr D's account some time ago. I'm not sure why, if there was an obvious error with the payments, Mr D waited so long to raise this with Lloyds.

If Lloyds had immediately refunded Mr D it would likely approach the utility company about the refund. If the utility company could prove there was no error, Lloyds would likely take the refund back from Mr D.

The direct debit guarantee says if you receive a refund you're not entitled to, you must pay it back when asked. The direct debit guarantee also says the bank may review the transaction

before the guarantee is activated, I think this is what Lloyds is doing.

In these specific circumstances, I think it's reasonable for Lloyds to review the transaction and approach the utility company first, to make sure any refund can be kept by Mr D. And for Lloyds to approach the utility company, it wants some specific information from Mr D.

And it's reasonable Lloyds no longer has this information, it's been some time since the payments left Mr D's account. Most inactive direct debits are removed after two years, and it's been six years since Mr D's had an active direct debit to the utility company.

The refund for the direct debit is, ultimately, coming from the utility provider. Mr D says he needs to prove Lloyds made an error, but I don't think that's correct, Mr D just needs to find out the information Lloyds has asked him for.

And once Mr D has this information, Lloyds has said it'll approach the utility company about these payments. If the utility company accepts there was an error, then I'd expect Mr D to be refunded for the payments.

But, without the information Lloyds has asked Mr D for I wouldn't expect Lloyds to refund him. I don't think Lloyds needs to refund Mr D any of the payments he's disputed.

My final decision

My final decision is I don't 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 29 September 2023.

Chris Russ
Ombudsman