

The complaint

Miss T complains that Lloyds Bank PLC (Lloyds) won't refund money paid from her bank account by direct debit.

What happened

In late 2022, Miss T contacted Lloyds and asked it to recredit her account with money that she'd paid to her local council in 2019. Miss T said the council had taken the payments when it shouldn't have. Miss T asked Lloyds to refund almost £850.

Miss T says that when she first spoke to Lloyds about the payments, it told her the money would be returned to her account. But after investigating, Lloyds declined her request to recredit money under the direct debit guarantee.

After Miss T complained, Lloyds said that the direct debits were in her name. Lloyds said that some of the direct debit payments to the council were returned as unpaid in 2019, so Miss T would have been notified of these. Lloyds pointed out that Miss T doesn't appear to have queried the payments at the time.

Lloyds did pay Miss T £10 to apologise for giving her contradictory information about its decision to decline her direct debit guarantee claim.

Our investigator reviewed the complaint and didn't think it should be upheld. She thought Lloyds had reviewed Miss T's request but due to how far the payments went back and as Miss T hadn't shown there was an error, the investigator didn't think it was unreasonable of Lloyds to reject her request to recredit the direct debit payments. The investigator thought Lloyds compensation payment was fair.

Miss T is unhappy with the investigation outcome. She points out there's no time limit on when she can claim money back. So, the fact that the mistake didn't come to light at the time isn't relevant. Miss T wants to know why the investigator is insinuating that her claim isn't genuine. Miss T says there's no obligation on her to go back to the council. Miss T doesn't see why she should hold things up for months by doing so and thinks Lloyds should approach the council.

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.

In cases like this where one party is saying something different to the other, I reach my decision based on the balance of probabilities. That means I'll look at all the available evidence and decide what I think is most likely to have happened.

The direct debit guarantee says:

If an error is made in the payment of your Direct Debit, by the organisation or your bank or building society, you are entitled to a full and immediate refund of the amount

paid from your bank or building society..

The direct debit guarantee allows account holders to receive an immediate refund from their bank in some, but not all circumstances. The right to a refund is not absolute or automatic. And I don't consider the direct debit guarantee is intended as a means of recovering historic payments years later or for dealing with contractual disputes.

I appreciate Miss T's point that the direct debit guarantee doesn't have a time limit but if she had concerns about the payments, I would've expected her to raise those with Lloyds much sooner than she has. Most genuine errors come to light fairly quickly – particularly as some of the direct debit payments made from Miss T's bank account were returned as unpaid back in 2019. When a mistake comes to light at the time, I might expect the bank to refund money immediately. But here, over three years has passed without the payments being challenged.

When Miss T contacted Lloyds in December 2022, she said that she should not have been paying council tax as she was entitled to council tax benefits. And that this was the reason why no more council tax payments were taken since November 2019. As I've said above, the direct debit guarantee cannot be used to address contractual disputes. If it's the case that Miss T was entitled to a council tax discount or exemption in 2019, I think it would be for her to take this up with her local council. Based on the evidence, I don't think Lloyds was wrong to reject Miss T's request to refund the payments made.

In relation to the service Miss T received from Lloyds during her claim, I think the amount Lloyds paid was reasonable, so I don't require it to take further action in response to her complaint.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss T to accept or reject my decision before 7 August 2023.

Gemma Bowen
Ombudsman