

The complaint

Mr and Mrs D complain that Bank of Scotland plc trading as Halifax ("Halifax") refused to complete a direct debit indemnity on all direct debit transactions for service payments to a third party since April 2019. They are also unhappy about the customer service received regarding this issue.

What happened

Mr and Mrs D had a direct debit ("DD") mandate with Halifax that had been running for a number of years. The regular monthly payment amount of the DD has varied by a small amount since they began. Mr D raised a direct debit indemnity ("DDI") claim regarding this direct debit payment since it began. Halifax accepted the DDI claim for the December payment of £120 as it could see two payments were taken instead of one.

Mr D wished to raise a dispute under the Direct Debit Guarantee scheme regarding the amount of the DD payment collected since April 2019. Mr D was unable to confirm how much the DD should be for, but confirmed it was for a service he was invoiced for and that he was happy to pay for.

Halifax told Mr D that he needs to discuss this with the beneficiary of the payment. Mr D says he has tried emailing it but hasn't receive a response. Halifax believes this to be a dispute that needs to be resolved with the beneficiary/originator of the DD payment and not something that falls within the Direct Debit Guarantee scheme.

Mr and Mrs D complained that Halifax refused to complete a DDI – they believe that the scheme entitles them to the right to reclaim all these payments under the scheme's rules without question. Halifax says it needed to ask for further information to ensure that Mr and Mrs D's claim falls under the scheme.

Mr and Mrs D complained further that Halifax had incorrectly concluded in its final response letter that the DDI refund payment of £120 was because a duplicate of the payment was taken in December. Mr and Mrs D say the DDI related to them not accepting the amount they were being charged and not this one payment.

Halifax accepted that there had been some inaccuracies and compensated them £80 for the distress and inconvenience this caused and confirmed that their claim for the last four years over the value of the DD payments is not accepted as it doesn't meet eligible claim criteria as there hadn't been an error in the collection of the direct debit.

Mr and Mrs D were dis-satisfied with this and brought their complaint to this service.

One of our investigators looked into their concerns but didn't think Halifax had treated them unfairly. Given the time that had passed since the DD had been in place, they thought it fair for Halifax to request further information surrounding the DD dispute before processing the DDI without question. Furthermore, they hadn't seen enough evidence to show Halifax had misinformed Mr D regarding the indemnity claim.

Mr and Mrs D disagreed. They say if the partial refund has been upheld for the correct reasons, then it must adhere to the full claim period and have asked for an ombudsman's 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.

Having considered everything provided, I've decided not to uphold Mr and Mrs D's complaint.

I hope that Mr and Mrs D won't take it as a discourtesy that I've condensed their complaint in the way that I have. Ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of the complaint – that Halifax refused to submit a direct debit indemnity on all payments requested by DD since 2019. Our rules allow me to do that.

My role is to look at the problems Mr and Mrs D have experienced and see if Halifax has done anything wrong or treated them unfairly. If it has, I would seek – if possible - to put Mr and Mrs D back in the position they would've been in if the mistakes hadn't happened. And I may award compensation that I think is fair and reasonable.

As outline about Mr and Mrs D are unhappy that Halifax refused to process a refund of all DD payments made since 2019 under the direct debit guarantee.

It might be helpful here to explain that the direct debit guarantee entitles account holders to receive an immediate refund from their bank in certain circumstances such as when the payment taken is on the incorrect date or the wrong amount is collected. And it can not be used to address contractual disputes between the customer and the billing organisation.

The purpose of this guarantee is to protect customers who've allowed third-party permission to take payments directly from their account. If a payment error is made – either by the bank or by the business collecting the payment (“the originator”) – then they should be able to get an immediate refund from the bank. And the bank will get repaid by the originator under the direct debit indemnity.

So the question I have to ask is whether Halifax has done anything wrong or treated Mr and Mrs D unfairly by not submitting a direct debit indemnity claim when Mr D asked it to.

And I don't think Halifax did treat Mr and Mrs D unfairly - as it wasn't able to establish from the information it had whether there had been a payment error. Indeed, Mr D agreed he was happy to pay for the service he was receiving but wasn't able to say how much the direct debit payment was meant to be or that an error had been made. So I don't think it was unreasonable or unfair of Halifax to seek further information to ensure the scheme was being used for its intended purpose or for declining to process the DDI on the basis that it didn't think the eligibility criteria.

Mr and Mrs D say that if a partial refund has been upheld for the correct reasons, then it must adhere to the full claim period. But from the evidence I've seen, the initial refund was

provided because it appeared there had been an error in that a singular DD payment had been taken twice – rather than all the payments under the mandate had been taken in error.

So again, I don't think Halifax has made an error or treated Mr and Mrs D unfairly by not agreeing to process the DDI based on the information it had. Furthermore, although there may be some evidence of confusion surrounding the finer points of Mr and Mrs D's complaint, I haven't seen anything to persuade me that this warrants further compensation above what Halifax have already provided.

So it follows, that I do not uphold Mr and Mrs D's complaint.

My final decision

For the reasons I've explained I've decided not to uphold Mr and Mrs D's complaint against Bank of Scotland plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D and Mr D to accept or reject my decision before 23 October 2023.

Caroline Davies
Ombudsman