

The complaint

A company, which I'll refer to as L, complains that GoCardless Ltd has declined to cancel a contract. L says that its employee who signed the contract had no authority to do so.

What happened

In February 2022, L's Head of Operations and Finance signed a contract, on behalf of L, for merchant services from GoCardless.

In March 2023, L complained to GoCardless that the person who'd signed the contract wasn't authorised to do so. L said that, as a result, there was no legal contract between the parties. GoCardless disagreed and said the contract remained in place and the invoices remained payable. L then referred its complaint to this service.

Our investigator didn't recommend that L's complaint should be upheld. He gave the following reasons, in summary:

- In his view, he'd expect the head of finance to be able to make financial decisions for the company, so he couldn't say GoCardless acted unreasonably when it accepted that authority.
- L claims that its signatory and the GoCardless sales agent were friends, but there's no evidence of this. Looking at the relevant emails, there's no suggestion of a relationship before the discussion of the contract.
- The question of whether the contract is binding would be better suited to a court. Our service makes decisions based on what's fair and reasonable. In this case, the contract was signed by a senior employee on L's behalf. The investigator couldn't see this was an obvious error by GoCardless.

L didn't agree with the investigator's conclusions. The company's Finance Director made the following points, in summary:

- The onus was on GoCardless to ensure that the person signing the contract proved he had binding authority.
- 'Head of Operations and Finance' is in most businesses a mid-level role. A senior role would have a 'Director' title.
- There's no proof that L's Director agreed with the signing of the contract. Proof that this contract was erroneous is clear in the fact that L's Director had the direct debit halted when he found out about it.
- What the investigator is suggesting is that any mid-level employee can go around signing contracts on behalf of their company without due authority.

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 that, I've come to the same conclusions as the investigator, and for largely the same reasons.

Both parties say they've received advice that supports their respective positions on whether the contract is legally binding. My role is not to determine the legal validity of the contract. I have no powers to do that, and it's a matter that only a court could decide. The Financial Ombudsman Service was established to resolve disputes quickly and with minimum formality, and my role is to determine the complaint by what is, in my opinion, fair and reasonable in all the circumstances of the case.

The core question I need to answer is whether GoCardless acted fairly and reasonably in accepting the signature of L's employee on the contract.

In my view, it was fair and reasonable to regard a person with the title of Head of Operations and Finance as having sufficient seniority and authority to sign a merchant services contract on behalf of the company. L argues that GoCardless should have regarded the Head of Operations and Finance as a mid-level role without authority to sign such contracts, but I disagree. I think the inclusion of the words 'Head of' inescapably denotes responsibility for the functions in the rest of the title – in this case, responsibility for L's operations and finance. For this reason, I don't think GoCardless did anything wrong in accepting the signature on the contract, or in accepting the implied assurance that the signatory had the authority to sign. I don't think GoCardless needed to do anything more to establish that the person signing the contract possessed the required authority.

L says the service was never used, and it's clear that others in the company later wished that L didn't have the contract. But that doesn't change my view on whether it was reasonable for GoCardless to accept the signature of L's Head of Operations and Finance on the contract.

L has suggested that its Head of Operations and Finance and the GoCardless sales agent were friends. But the GoCardless agent has denied knowing L's employee, and I'm satisfied there's nothing in the communications between them that suggests anything other than a customer-supplier relationship. L hasn't provided any evidence to support its allegation. Moreover, such friendships aren't uncommon in the world of business, and controlling the risks posed to the parties would in my view be a matter for their own procurement governance. In this respect, I note that L's Director was sent a copy of the contract both before and after it was signed by the Head of Operations and Finance. L says that doesn't mean he approved the contract or that he even read the email. But in my opinion, it does show that GoCardless was willing at the time to give the most senior person at L full view of the contract.

For these reasons, I conclude that GoCardless didn't act unfairly or unreasonably in accepting the signature of L's Head of Operations and Finance on the contract.

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 L to accept or reject my decision before 6 September 2023.

Colin Brown
Ombudsman