

The complaint

Mrs O complains Bank of Scotland plc trading as Halifax took a payment for her credit card.

What happened

Mrs O holds a credit card with Halifax and had spent money on it whilst abroad. Mrs O returned home and paid £1,200 to her credit card, to cover her spending.

Halifax then took a payment of £196.94 by direct debit, putting her card in credit.

Mrs O called Halifax to find out why this had happened, was passed between departments and wasn't given an explanation. Halifax later explained there was an active direct debit set up, but Mrs O didn't think one was set up.

Mrs O asked for the direct debit mandate, but Halifax couldn't provide it. Mrs O complained to Halifax about what had happened.

Halifax responded to say the direct debit had been in place since 2019. Halifax said the direct debit wouldn't be taken if Mrs O paid towards her card more than two working days before the direct debit was due.

Halifax said an indemnity had been processed and the £196.94 returned to Mrs O. Halifax accepted Mrs O had some poor service and offered £50 to compensate for this.

Unhappy with this answer Mrs O brought her complaint to this service. An investigator looked into things and didn't think Mrs O's complaint should be upheld.

The investigator said Mrs O normally pays in enough time to mean the direct debit isn't taken but hadn't done so this time around. The investigator thought Mrs O hadn't paid more than two working days before, so Halifax acted fairly when it collected the direct debit.

The investigator said it was reasonable Halifax didn't have the direct debit, it was likely agreed by phone. But the investigator was satisfied an active direct debit was in place.

And the investigator thought Mrs O should have been aware of the direct debit, it's mentioned on Mrs O's statements.

The investigator didn't think there was an error with the payments, it was a case of the timing of Mrs O's payment to Halifax. The investigator thought Halifax was fair in refunding the direct debit amount and offering £50 for any poor service.

Mrs O disagreed. Mrs O said Halifax wasn't protecting her money, she'd paid her card early and still had money taken from her. Mrs O felt Halifax doesn't have robust systems in place.

Mrs O wondered why Halifax hadn't taken the minimum payment due and what would have happened had she not banked with Halifax as well as holding its credit card.

Mrs O 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.

I'm satisfied Mrs O had an active direct debit in place. I've seen Halifax's system notes and they show a direct debit was set up in 2019. The notes also say a letter was sent to Mrs O at the time, although I'd not expect Mrs O to necessarily remember this.

But Mrs O's credit card statements also clearly say a direct debit will collect any payments due. For July 2022, Mrs O's statements say a payment of £196.94 will be taken by direct debit on the day the payment's due.

And Mrs O's paid her credit card by direct debit previously. In February 2022 Mrs O paid £1.17 by direct debit to clear to her credit card balance in full.

I think Mrs O should have been aware a direct debit was in place.

And I don't think Halifax needs to have a signed mandate in place to collect a direct debit. As the investigator says, most direct debits are set on the phone or online, so no mandate exists. But this doesn't mean Halifax can't collect the payment.

Mrs O asked why Halifax didn't take the minimum payment. This is because Mrs O's direct debit is set to take the full payment due. This happened in February 2022, although the £1.17 was both the minimum and full payment, because it was such a small amount.

But the July direct debit is clearly the full payment. The statement says the minimum payment is £5, but £196.94 will be collected, the full balance. I'm satisfied a full payment direct debit was in place and this is what Halifax collected.

The payment in dispute was due on 11 July 2022, a Monday. Mrs O paid £1,200 on 9 July 2022, a Friday. Halifax's terms and conditions say:

"...we may reduce your Direct Debit to reflect additional payments made during the month. We will do this until two clear working days before your next Direct Debit payment is due to be taken."

By paying on the Friday, Mrs O didn't leave two clear working days before the direct debit was due. Because of this Halifax couldn't adjust the direct debit to reflect the additional payment Mrs O made.

I don't think Halifax has made a mistake here. A full payment direct debit was in place, and this is what Halifax took. Mrs O paid too late to change the amount Halifax was collecting, so the full statement balance from the previous month was collected.

Mrs O raised an indemnity for the direct debit payment and Halifax returned this amount to her. Mrs O has asked what would have happened had she not banked with Halifax.

I don't think this would have made a difference. Halifax agreed an indemnity claim for the payment and would have returned the payment to whatever bank it came from.

And collecting the payment would have been the same. Regardless of who Mrs O banks with the terms of the credit card are clear, she has to pay two clear working days before the direct debit is due for Halifax to amend the amount it's taking.

Mrs O feels Halifax hasn't protected her money, but I don't agree with this. I think Mrs O agreed to a direct debit to be set up some time ago, and Halifax collected a payment in line with that agreement.

I'm not sure what systems Mrs O feels should be more robust, but I don't think there's anything wrong in what Halifax did. It collected a payment as instructed and then returned it when Mrs O asked for it to be returned.

When Mrs O called Halifax, I can see it passed her to other departments before she got an explanation of what happened. I can also see Mrs O asked for a complaint to be set up, but this call appears to have been cut off.

No complaint was logged during the call, and Mrs O had to call again to log her complaint. I think Halifax could have handled things better here, I think Mrs O could have been given a clear explanation much sooner and a complaint should have been logged sooner

Overall, I think Halifax's offer of £50 is a fair one, to compensate Mrs O for some additional calls she had to make.

But I don't think Halifax needs to do anything else to resolve Mrs O's complaint.

My final decision

My final decision is I uphold Mrs O's complaint and Bank of Scotland plc trading as Halifax should pay her £50 to compensate for the poor service it gave during her phone calls.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs O to accept or reject my decision before 11 September 2023.

Chris Russ
Ombudsman