

## **The complaint**

Mr M complains Nationwide Building Society refused to refund payments made from his account under the direct debit indemnity guarantee.

## **What happened**

Mr M contacted Nationwide to make a direct debit indemnity claim under the direct debit guarantee for payments made to a merchant during the period 2000 – 2012. He said he wanted a refund because he had recently become aware that – since he hadn't used the services covered by the merchant – he didn't need to pay the merchant during that period.

Nationwide looked into Mr M's claim but said they weren't going to refund the payments. They said this was because Mr M's reasons for the claim weren't covered by the guarantee.

Mr M complained to Nationwide about their decision. They reiterated they thought Mr M's claim wasn't covered by the guarantee, but they did say their communication about his claim had been poor – so they credited his account with £25 as an apology and in recognition of the inconvenience caused.

Mr M wasn't happy with this response, so he referred his complaint to our service. An Investigator considered what had happened. He said, in summary, he didn't think Nationwide had acted unfairly by declining Mr M's claim because he also didn't think the guarantee applied to Mr M's situation. He said he didn't think the payments had been taken in error in the sense that the guarantee was intended to cover. He also felt, like Nationwide, that this was more of a contractual dispute.

Mr M said he didn't agree because he felt the payments were taken in error and it couldn't be a contractual dispute because he didn't have a written contract with the merchant.

As Mr M didn't agree, the complaint's been passed to me to decide.

## **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 is designed to protect customers from having payments wrongly taken from their accounts. If an error is made when taking the direct debits, customers are entitled to a full and immediate refund of the amount that's been debited from their bank or building society. But this doesn't affect the rights and obligations of the parties under the original contract and doesn't apply in all circumstances.

Mr M wants to be refunded for payments made over a 12-year period, up to 2012. So he's claiming for a significant number of payments and even the most recent of those payments took place a long time ago, over ten years ago.

Mr M believes he's entitled to a refund because he says, at the time, he believed he needed the services of the merchant. But it's now his understanding that he didn't need them because he didn't use any of the services covered between 2000 and 2012. So, as he didn't use any of the services the merchant covers, he's paid for something he didn't use. Mr M thinks that this means the payments were taken from his account in error.

But Mr M doesn't dispute that he set up the direct debit. In doing so, he was authorising the merchant to debit his account in exchange for them providing him with the right to use the services they covered. It would seem, at the time, these payments were taken in line with Mr M's expectations. So I don't agree the payments were taken in error and I've seen nothing to suggest the issues Mr M has raised are covered by the direct debit guarantee.

Both Nationwide and our Investigator have described the basis of Mr M's claim as a contractual dispute – which specifically isn't covered by the guarantee. Mr M says he didn't have a contract with the merchant – so it can't be a contractual dispute. But the fact he's now decided he didn't need their services or that a written contract hasn't been provided, after he'd previously authorised them to take the payments, doesn't mean he didn't have a contractual relationship with them at the time. And, as I don't agree the payments were taken in error – the circumstances of Mr M's claim aren't covered by the guarantee. So I don't find Nationwide treated Mr M unfairly by not refunding his payments under the direct debit guarantee.

Mr M first raised the claim with Nationwide on 18 September 2022 but they didn't confirm the outcome of the claim until they wrote to him on 17 October 2022. During this time Mr M requested frequent updates from Nationwide via webchat but wasn't always provided with clear or helpful information about what was happening. Nationwide paid Mr M £25 in recognition of this and I find this is fair having reviewed Mr M's contact with Nationwide.

### **My final decision**

For the reasons I've explained, I don't uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 March 2023.

Eleanor Rippengale  
**Ombudsman**