



Case study: Banking

UNAUTHORISED DIRECT DEBIT ON CUSTOMER'S ACCOUNT

Themes: Automated Direct Debit Instruction Service; Bankers Automated Clearing Service (BACS); requested revision of process.

This complaint related to an unauthorised direct debit used by a service company to take funds from a customer's bank account.

Mr T contacted the bank after noticing an unusual direct debit payment had been taken from his bank account. The bank fully refunded Mr T's account within three working days and attempted to contact the service company to identify the cause of the problem. Mr T made a complaint to the bank as he believed the bank had failed to safeguard his account correctly and requested compensation for the loss of sleep, worry, stress and anxiety that the situation had caused him. The bank rejected the complaint and Mr T brought his complaint to CIFO.

CIFO investigated the complaint and found that the bank had complied with its policies and procedures relating to the direct debit guarantee scheme. This scheme ensures that any direct debit taken in error is fully refunded by the bank. CIFO also noted the bank had attempted to find what the issue was with the service company that had initiated the direct debit, but without success. CIFO did not uphold the complaint and provided Mr T with a recommendation explaining the findings. Mr T rejected CIFO's recommendation as he felt that the bank should have notified him when a new direct debit was set up. Mr T also believed that the automated direct debit instruction service system should be revised to include a customer name check and believed that, if this additional check had been in place, the bank would have been able to reject the direct debit immediately.

CIFO further investigated and found that the bank had used the UK BACS System that enables direct debits. The bank does not control the BACS system or the direct debit scheme and would have been unaware that a direct debit had been set up on Mr T's account that had been created by the service company in error. Based on the balance of probabilities, CIFO felt that the service company had incorrectly keyed-in Mr T's sort code and account number into their system and erroneously initiated a direct debit from Mr T's bank account. Unfortunately, only the service company could confirm this and CIFO was unable to review the actions of the service company as they fell outside of CIFO's statutory remit.

CIFO concluded that the bank had not set up the direct debit and therefore the bank was under no obligation to review it. The bank had also followed the appropriate procedure and attempted to locate the cause of the problem with the service company. CIFO did not uphold this complaint and provided the contact details, if Mr T wished to pursue the matter further, for the local fraud prevention and regulatory bodies.