

The complaint

Miss F1 and Miss F2 complain about the actions of Lloyds Bank PLC after their father, Mr F passed away.

Miss F1 and Miss F2's concerns relate to their late father's accounts (in their capacity as executors of his estate) and the partnership accounts that were set up in their names after he passed away.

In this decision I will be considering their concerns relating to their partnership accounts. The complaint they have brought in their capacity as executors of the estate of Mr F will be dealt with separately.

What happened

Miss F1 and Miss F2's father, Mr F, was a sole trader who held three business accounts and one personal account with Lloyds. In August 2020, Mr F passed away, leaving Miss F1 and Miss F2 to sort out his estate and the running of his businesses.

Lloyds advised Miss F2 to set up three new partnership accounts with her sister for the running of the businesses. They completed the paperwork but found they were unable to access funds from one of the accounts. Miss F2 reported this to Lloyds and also asked when the funds from her late father's accounts would be transferred to the new accounts they'd set up. Lloyds then told them that the funds couldn't be released without a Grant of Probate.

Miss F2 raised a complaint with Lloyds. She said she'd previously been told she'd be able to transfer money from her father's business accounts which had balances of less than £50,000. She was concerned about paying bills and costs relating to the businesses.

Miss F2 had several further conversations with Lloyds. There were discussions about an overdraft facility being granted on the new partnership accounts. But Lloyds said it wasn't able to grant this without the borrowing being secured.

In response to Miss F2's complaint, Lloyds said it wasn't able to release the funds from her father's accounts without a Grant of Probate because the total balance exceeded £50,000. It apologised for giving incorrect information previously. Lloyds said it was permitted to release funds for the reimbursement of funeral costs, inheritance tax and probate fees and suggested Miss F2 contact its bereavement team to discuss this further.

Lloyds said it wasn't able to agree to an interest free overdraft and any borrowing would need to be secured because the new partnership accounts were looked at as a new business. It acknowledged the delay in one of the new accounts being registered for internet banking.

Lloyds apologised for not offering a better service. It offered to pay £500 and to cover the cost of calls and travel expenses Miss F2 incurred.

Miss F2 remained unhappy, so she asked our service to look into her concerns. Following our involvement, Lloyds said it was willing to increase the compensation it had previously offered from £500 to £750. £475 of this would be for the complaint brought in the name of Miss F1 and Miss F2. Lloyds said it had also agreed to cover the cost of phone calls made by Miss F2 as well as mileage and parking costs she incurred from visits to the branch to resolve the matter but would require a breakdown of costs to consider these. Lloyds said the three accounts Miss F1 and Miss F2 had set up could be closed without consequence within the fee free period.

Our investigator thought Lloyds' offer to put things right was fair but Miss F1 and Miss F2 disagreed. Miss F2 said Lloyds already knew the facts regarding her late father's accounts, the business and the estate when it offered her the option of an interest free overdraft. She didn't think Lloyds should have asked her for security for the overdraft when it held sufficient funds to cover the borrowing in her father's accounts. So, the complaint has 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.

Having done so, I've reached broadly the same conclusions as our investigator. I'll explain why.

Firstly, I'd like to express my empathy towards Miss F1 and Miss F2 who have had to deal not only with the loss of their father, but with taking on his businesses. This has no doubt been a difficult and worrying time for them. But what I've needed to consider is whether or not Lloyds have acted fairly and reasonably, in line with its terms and conditions.

Opening the accounts

Miss F1 and Miss F2 say they wouldn't have opened the three partnership accounts if Lloyds had given them the correct information about accessing the funds in their late father's accounts.

Lloyds said that Miss F1 and Miss F2 would be able to close the three accounts without penalty before the twelve month fee free period expired if they chose to do so. So, I don't think Miss F1 and Miss F2 have lost out financially from opening the accounts. But I appreciate they experienced unnecessary inconvenience from opening the accounts. So, I've taken this into account when considering if Lloyds' offer to put things right is reasonable.

Internet banking

Lloyds has acknowledged that there was a delay in one of the new partnership accounts being registered for banking. It says the registration of all of the accounts should have taken place at the same time without Miss F2 needing to contact it several times.

Miss F2 says the bank accounts were supposed to be up and running by the end of October 2020, but they could only access two out of the three accounts. From what I've seen this issue wasn't resolved until around mid-December 2020. This delay was no doubt frustrating for Miss F1 and Miss F2. I can also see that Miss F2 contacted Lloyds several times to try to get the issue resolved. So, I've thought about whether the offer Lloyds has made is enough to compensate them for this.

Overdraft

Miss F1 and Miss F2 were expecting to be able to transfer funds from their late father's accounts into their new partnership accounts straight away. Lloyds has acknowledged they were likely to have been given the wrong information in the branch. The funds couldn't be released without a Grant of Probate.

I can see that the possibility of an overdraft to help finance the operation of the businesses was discussed. Miss F2 says she was told that an interest free overdraft would be granted to compensate them for previously being given the wrong information. But Lloyds' complaints manager's notes from the time say that she asked if Miss F2 would like a business manager to call her to see if it was able to arrange an overdraft facility on the new partnership accounts. They've also noted: *"I've said we could look to cover the overdraft interest charged, as she was given incorrect information"*. It's possible that the Lloyds didn't make it clear to Miss F2 that an overdraft wasn't guaranteed in this conversation. But Miss F2 was given the correct information about what was required a few days later.

Lloyds says it wasn't able to offer an overdraft without security. I appreciate Miss F2 feels that it wasn't necessary for her to provide security for the overdraft, given the amount of money held in her late father's accounts. But I'm satisfied from the information Lloyds has provided that it acted in line with its policy. Our service doesn't have the power to tell a business to change its policies or procedures. These are commercial decisions. So, I can't say it was unreasonable for Lloyds to have decided not to offer an overdraft to Miss F1 and Miss F2 without them providing the necessary security.

Lloyds' offer

Lloyds says that £350 of its original offer was to compensate Miss F1 and Miss F2 for the issues relating to the new partnership accounts that were opened. It has subsequently increased the offer to £475. This is in addition to reimbursing Miss F2 for phone call and travel costs incurred when she tried to sort things out.

Having considered the overall impact of Lloyds' actions on Miss F1 and Miss F2, I think the compensation Lloyds is prepared to pay is reasonable. I've explained why I think it was fair for Lloyds to have decided not to grant an overdraft facility. And I think £475 is a reasonable amount to compensate Miss F1 and Miss F2 for the frustration and inconvenience they experienced from opening the accounts, the delay in access to online banking and any miscommunication regarding an overdraft.

Putting things right

Lloyds should pay Miss F1 and Miss F2 £475 for trouble and upset. It should also reimburse Miss F2 for the costs she incurred phone calls, mileage and parking if she provides it with a breakdown of these.

My final decision

For the reasons I've explained, I uphold Miss F1 and Miss F2's complaint and direct Lloyds Bank PLC to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F1 and Miss F2 to accept or reject my decision before 13 January 2022.

Anne Muscroft
Ombudsman

