

## **The complaint**

A, a limited company, complains that Lloyds Bank Plc didn't comply with the terms of a court order, which led to difficulties in paying money in and out of the business account. A would like to be compensated for the distress and losses.

## **What happened**

A is represented by Mr A, a director of the company. Mr A is also director of a number of other businesses. A had its current account with Lloyds.

The events that took place are well known to both parties, and aren't in dispute, so I'll only describe them here briefly. A court order was taken out against Mr A in his personal capacity that restricted the operation of any accounts related to Mr A's businesses. These accounts were held with a number of different banks, including Lloyds. Mr A would be allowed to withdraw money for specific purposes, such as a living allowance. The order allowed regular Direct Debit payments to continue to be made. The order didn't say money couldn't be paid into any of the accounts.

When Lloyds were notified of the order, they placed a block on A's account. The type of block applied meant all transactions that didn't require manual intervention were blocked – including faster payments. There was also a problem with processing the Direct Debits on the account. As A's clients paid mostly by faster payment, their payments were being rejected.

A complained to Lloyds, who looked into what was happening. Lloyds said that they believed their interpretation of the court order meant the blocks placed were appropriate. They said they could arrange the payment of the living allowance to Mr A, if they were to receive a signed letter. But they said that because of a problem at a processing centre they couldn't process the Direct Debits or payments into the account. They offered £500 to A to compensate for this, but Mr A declined this offer.

A referred their complaint to our service. Before we could look into what happened the court order against Mr A was varied, to clarify what A were allowed to do with their account. But the problems with payments into the account remained, so A stopped attempting to collect payments. After several months the restrictions were lifted and A regained full use of the account.

One of our investigators took a look at what happened. They accepted that the restrictions Lloyds placed on the account caused A difficulty in making and accepting payments. But they also found that Lloyds had made attempts to offer alternative methods of accepting payments that did have some manual intervention, which they thought was fair. They also didn't feel A had done anything to mitigate the situation by exploring alternatives to shutting down the business or chasing missed payments after the account had been unblocked. On balance they didn't think Lloyds needed to do anything further and didn't uphold the complaint.

A disagreed, saying the block had meant they'd lost all income for four months. Because no agreement was reached the case has been passed to me to decide. Before reaching my decision, I confirmed with Lloyds that the £500 offer is still available to A. I issued a provisional decision, which said the following:

*The central point of A's complaint is that Lloyds didn't follow the court order. It's not for me to determine whether a court order has been followed correctly or not – this would be for the court that issued it to decide.*

*I'm also mindful that the order wasn't against Lloyds – it was against Mr A. Lloyds were named alongside several other banks, as they held accounts for Mr A's companies. But the original order doesn't contain any specific instructions to Lloyds in relation to A's account. The later variation of the order does include some more specific examples of payments that can be allowed from A's accounts. But to my mind the order places the onus on Mr A to manage any accounts he's party to, to comply with the order.*

*Lloyds owed a duty to the court to ensure the order wasn't breached. And, I think it was reasonable for them to ensure they assisted A as far as they could to keep the account running. But, in the circumstances the decision to block any payments to or from A's account which didn't require manual intervention was a reasonable one. The terms of A's account allow Lloyds to stop or refuse payment instructions.*

*Once there was a variation with the court order, I can see that it references Lloyds' commercial banking department. One clause in the varied order suggests that standing orders into accounts would be allowed. So, from this point Lloyds could be aware that they could accept standing orders. Lloyds have said they didn't have another blocking mechanism which would allow these payments into the account. But this is an issue with Lloyds' systems and processes, which potentially left A at a loss.*

*Having reviewed the correspondence between A and Lloyds, I can see the bank were trying to offer alternative methods of payment which would be accepted – such as BACS and CHAPS payments which would be processed manually, or cash deposits in branch. This is a reasonable attempt to help.*

*A could also have mitigated their circumstances, such as by asking clients to pay by another method that would be accepted, or deferring payments to be collected after the order was discharged. Instead it appears A stopped trading, which I don't think is a reasonable response to being unable to receive standing orders. So even though I think Lloyds could have done more to allow standing orders to be received, I don't consider the loss of income A suffered to be the responsibility of Lloyds and so I don't expect Lloyds to cover this loss.*

*But I can also see that sometimes the communication from Lloyds wasn't clear, or they gave the wrong information – for example saying an emailed copy of a letter to allow the living allowance payment from A's account would be acceptable, but later clarifying a physical copy would be needed. But in that example, the effect would be more on Mr A personally, in that he couldn't withdraw his living expenses, rather than on the running of A's business.*

*Lloyds have already accepted that because of a problem with their processing centre there were Direct Debits that went unpaid. From reviewing A's statements and the information provided by Lloyds the effect of this would have been limited to a short period and no more than three missed payments from A's account. Lloyds have offered to compensate A £500 for this. I've not seen any evidence to suggest these missed Direct Debits led to further losses to A.*

*When I consider A's complaint as a whole, I think the issues with communication and preventing the Direct Debits being paid would be appropriate for Lloyds to pay compensation for the inconvenience. But I also consider the offer from Lloyds of £500 is considerably higher than I would award for these mistakes. On that basis, I can't fairly award A more than this.*

Lloyds confirmed they had nothing to add in response. Mr A responded on behalf of A, saying the court order allowed credits into the account, but Lloyds did not allow any form of income into the account. He also said Lloyds did have other blocking mechanisms, as they had another mechanism on a different account. He wanted to know what blocks Lloyds had available to comply with court orders and what block they applied.

### **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.

For clarity, in this decision I'm only looking at Lloyds' actions in respect to the accounts held by A, and not any other business Mr A may be involved in. Having considered the evidence I think the offer made by Lloyds to A is more than fair, so I'm not asking them to increase it.

As I explained in the provisional decision, it isn't for me to determine whether Lloyds have followed the court order correctly. And I also bear in mind that the original court order wasn't specific to A's account with Lloyds – it included restrictions on a number of accounts and business controlled by Mr A, across several banks.

Lloyds had a duty to ensure the order wasn't deliberately breached, and to ensure A could continue to operate the accounts in accordance with the order. So, I don't find the decision to block payments without manual intervention to be an unreasonable one.

However, after it was made clear to Lloyds in the varied order that the standing orders should have been accepted, Lloyds could have done more to help. Mr A would like to know the type of block applied, and that Lloyds have other blocks available to them. But this wouldn't have any bearing on my decision, as the fundamental point that Lloyds should have allowed the standing orders into the account is one I agree with. The specific name of the block, or the alternatives available aren't relevant.

Lloyds tried to mitigate the circumstances by offering alternative payment methods. Mr A has said A couldn't receive any income during this period – but having reviewed the statements I can see deposits being made into the account, so that isn't correct. There were other methods for A to collect payment, or make arrangements to defer them to such time as the account was in full operation. The decision by A to stop trading wasn't one that could be reasonably anticipated by the bank, and I don't consider this loss of income to A to be the responsibility of Lloyds.

The service provided to A by Lloyds wasn't always up to the standard I'd expect, and A was given contradictory and confusing information at times. And there were Direct Debits that were missed because of a problem with Lloyds' processing centre. But I've not received anything to show these missed Direct Debits led to any further losses. I'm still minded that the £500 offered by Lloyds is considerably more than I would award in the circumstances of the complaint. On that basis, I'm not asking them to increase it.

**My final decision**

My final decision is that Lloyds Bank Plc should pay A £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask A to accept or reject my decision before 27 April 2022.

**Ombudsman**