

The complaint

Ms L, through a representative, says Lloyds Bank PLC lost a foreign cheque she paid in and has not offered fair compensation.

What happened

On 8 October 2021 Ms L paid in a cheque for 20,500 euros. Lloyds lost the cheque but later agreed to process it from a copy. Ms L says the delay caused significant stress, impacted her health and prevented her from finding accommodation and starting a language course. She asks for £5,000 compensation. When Ms L brought her complaint to this service the money had still not credited her account, but during the course of the investigation it was received.

Following our involvement Lloyds made an offer to Ms L. It said it would pay her the difference in exchange rate between 1 December 2021 (when the cheque would have credited her account) and 15 March 2022 (when it did); interest for the period she was without access to her money and a further £100 compensation (it had paid £100 when it responded to Ms L's complaint).

Our investigator said she felt that was a fair settlement and in line with the approach she would have taken had no offer been made. She explained that Lloyds has fairly considered the financial loss Ms L suffered, as well as the impact on Ms L.

Ms L was unhappy with this assessment and asked for an ombudsman to review her case. So the complaint was passed to me.

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.

It is not in dispute that Lloyds caused the delay in processing the cheque by misplacing it. What remains in dispute is whether its offer to settle Ms L's complaint is fair and reasonable. It offered to:

1. Calculate the difference between the cheque negotiation on the rate available on 1 December 2021 and 15 March 2022 and reimburse the difference to Ms L. This comes to £270.97.
2. Pay Ms L 8% simple annual interest based on the amount she would have received if the cheque had been deposited on 1 December 2021 until the cheque was deposited on 15 March 2022. This comes to £390.61, inclusive of tax.
3. Pay Ms L an additional £100 for the upset this has caused, bringing the total compensation to £200.

When a bank makes an error our approach is to direct it to put the customer, in so much as is possible, back in the position they would be in had the mistake not occurred. I find that Lloyds' offer is consistent with this approach. I'll explain why.

Ms L lost out as the exchange rate on the day the money credited her account was less favourable than on 1 December 2021. So it is right Lloyd should make her good for that loss. I find it is fair to use the date of the 1 December as it has evidenced foreign cheques take from 4 and up to 8 weeks to be paid.

Ms L was also without access to her money for that same period of time and in such circumstances we award annual interest at 8% simple. This takes into account that Ms L did not have her money and may have had to pay to borrow, or may have been prevented from investing. I note that in this case the impact of the delay was that Ms L could not move forward with her plan to find accommodation or start a course. But she delayed these plans and has not evidenced this caused her any financial loss, rather it was inconvenient and stressful for her.

The final part of Lloyds' offer considers this, and I think in combination with the 8% interest £200 is a fair payment. I know Ms L was looking for a much more significant payment but to reach my conclusion I have considered the time she was impacted for and how she had to change her plans. Ms L's representative mentioned that the worry impacted her physical health. But as no medical evidence has been submitted I can't fairly conclude that Lloyds' actions were responsible for any change in her health.

Ms L also raised that Lloyds did not handle her complaint well - different people were involved and they had to repeat the problem many times. But we don't have the powers to look at how her complaint was handled as it is not a regulated activity.

Overall, I think the settlement offer is reasonable. I understand parts 1 and 2 have already been paid to Ms L so it should now make payment of the additional £100 compensation.

Putting things right

In full and final settlement Lloyds has:

1. Calculated the difference between the cheque negotiation on the rate available on 1 December 2021 and 15 March 2022 and reimbursed the difference to Ms L. This came to £270.97.

2. Paid Ms L 8% simple annual interest based on the amount she would have received if the cheque had been deposited on 1 December 2021 until the cheque was deposited on 15 March 2022. This came to £390.61, inclusive of tax*.

*HM Revenue & Customs requires Lloyds to deduct tax from this interest. Lloyds should give Ms L a certificate showing how much tax it's deducted, if she asks for one.

It now should:

3. Pay Ms L an additional £100 for the upset this has caused, bringing the total compensation to £200.

My final decision

I am upholding Ms L's complaint. Lloyds Bank PLC must put things right as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms L to accept or reject my decision before 1 August 2022.

Rebecca Connelley
Ombudsman