

The complaint

Mrs B complains Lloyds Bank PLC (“Lloyds”) blocked her account as it was discriminating against her.

What happened

Around February 2021, Lloyds wrote to Mrs B asking for information about her source of income and certain transactions made from her account.

As Lloyds did not hear from Mrs B, it sent her another letter in March 2021 explaining it has important regulatory responsibilities to meet. And if it did not get this information, it may need to change the services it provides to Mrs B.

Mrs B did not respond. Lloyds restricted Mrs B’s account. Mrs B then contacted Lloyds and said its actions were based in discrimination because of the country she was born in and her ethnicity.

Lloyds responded to Mrs B’s complaint. In summary, it said:

- It has legal and regulatory responsibilities in line with the UK’s Sanctions regime. Mrs B’s country of birth is subject to financial sanctions as imposed in the UK
- The Financial Conduct Authority (“FCA”) requires banks to keep ‘Know Your Customer’ (“KYC”) information up to date and refresh it on a regular basis. It has requested this information to know more about Mrs B and what her standard transactions are
- The payments Lloyds reviewed were to identify if a risk assessment is required

Mrs B referred her complaint to this service. She said Lloyds’ actions have caused her distress and inconvenience. Mrs B emphasised she was being racially discriminated against and is therefore the victim of unfair treatment.

One of our Investigator’s looked into Mrs B’s complaint. They asked Mrs B about the transactions Lloyds had wanted more information on – and asked her why there was an unusual number of uncharacteristic cash deposits made into her Lloyds account towards the end of 2020.

Mrs B provided paperwork which showed she was the recipient of a substantial personal loan from a third-party lender. She also gave us statements from another account she has with a different bank, showing the loan was paid to her. Mrs B said she withdrew a large sum of cash from this other bank account and was depositing it into her Lloyds account to help meet her financial commitments.

Our Investigator presented this information to Lloyds. It found Mrs B’s explanation plausible as she had provided evidence to show source of funds. Lloyds subsequently removed any restrictions from Mrs B’s account.

Following this, our Investigator sent both parties their outcome on the complaint. In summary, they found:

- Lloyds' actions arose from unusual activity on Mrs B's account, and not anything to do with her ethnicity or country of birth
- Having reviewed the contact logs, and conversations with Mrs B, they didn't see anything which shows she was discriminated against either directly or indirectly. But Lloyds should've have given Mrs B more context when completing its KYC checks
- The questions Lloyds asked Mrs B, as part of its review, were not overly intrusive nor unnecessary
- So Lloyds acted fairly when restricting Mrs B's account and were obliged to investigate further

Unhappy with what our Investigator said, Mrs B asked for her complaint to be passed to an Ombudsman 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 that, I've decided not to uphold Mrs B's complaint. I note she feels strongly about her complaint, and my decision will no doubt disappoint her. So, I'll explain why.

Banks in the UK, like Lloyds, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

To that end banks have rules they must follow to identify its customers, for establishing the purpose and intended nature of the business relationship, and origin of funds. This applies to both new and existing relationships. This is generally referred to as its customer due diligence rules – or also as KYC.

I've looked closely at the information, and reasons, Lloyds have given for restricting Mrs B's account. Having looked at the transactions Lloyds say were unusual, I'm satisfied they were sufficiently uncharacteristic for it to have concerns. And in turn, ask questions about.

I haven't seen that Mrs B provided this information to Lloyds despite it asking twice. So I think Lloyds acted fairly by restricting the account in the way it did – and did so in line with the terms and conditions of the account - and legal obligations it must follow.

Our Investigator however was able to get information about these transactions from Mrs B which they sent to Lloyds to review. As I've said above, Lloyds reviewed this information and subsequently removed the restrictions from the account. Overall, I'm satisfied Lloyds have acted both fairly and reasonably once it received enough information.

In its final response, Lloyds explained it has obligations it must meet in line with the UK sanctions regime. And Mrs B's country of birth is a country which has sanctions placed against it. But, as I said above, Lloyds carried out its KYC checks due to unusual payments on Mrs B's payments which it needed to make enquiries about.

So I'm satisfied Lloyds made a legitimate and proportionate decision in restricting Mrs B's account. This doesn't of course mean I think Mrs B has committed any wrongdoing. That is not what I need to decide; nor was it required of Lloyds to decide in order to take the action it did.

This brings me to the crux of Mrs B's complaint, that is, she feels Lloyds discriminated against her due to her race and country of birth. I'd like to assure Mrs B that I've very carefully considered everything she's said about this. And I want to make clear I do not doubt how genuinely she feels about this matter and the upset Lloyds' actions have caused her.

But I've not seen any written policy document to that effect. Nor have I seen anything else which shows Lloyds was treating Mrs B differently because of a protected characteristic. And while I appreciate this is her perspective, it is not my role to decide whether discrimination has taken place as a matter of law – only the courts have the power to decide this.

I have, however, considered the relevant law in relation to what Mrs B has said when deciding what I think is the fair and reasonable outcome. Part of this has meant considering the provisions of The Equality Act 2010. But after doing so, I've not seen evidence to indicate Mrs B was discriminated on the grounds of her race or country of birth. So I haven't found that Lloyds' behaviour was improper.

Instead, and as I've said already, there are a large number of regulations and laws banks must take heed of in running customer's accounts. And it is in relation to those obligations that I find Lloyds' decision to restrict Mrs B's account was made.

My final decision

For the reasons above, I've decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs B to accept or reject my decision before 23 December 2022.

Ketan Nagla
Ombudsman