

## **The complaint**

Mr L complained about Lloyds Bank plc's handling of disputed transactions. He wants significantly more compensation than Lloyds offered him.

## **What happened**

Mr L had a Lloyds credit card with a credit limit of £5,500, which he'd opened in October 2020. Between 15 and 22 December 2020, ten transactions debited Mr L's Lloyds credit card. These took place on six different days, including a Saturday. On 23 December, he rang Lloyds and said he hadn't carried out these transactions, which totalled £9,763.32.

Mr L's genuine card, and correct PIN, had been used. Mr L told Lloyds he hadn't lost his card, and he hadn't written down his PIN. So Lloyds refused Mr L's claim that he hadn't authorised the transactions himself. It told Mr L this by phone on 23 December.

But on 30 December, someone in Lloyds made a mistake and wrongly credited Mr L's credit card with the ten disputed transactions for £9,763.32. This put Mr L's account into credit by £4,337.87. Mr L didn't contact Lloyds to query this, and spent the credit balance.

On 13 April 2021, Lloyds realised it had made a mistake by crediting Mr L's account when it had declined his disputed transaction claim, and it re-debited the £9,763.32. But it didn't tell Mr L it was going to do this. Mr L complained on 14 April.

Lloyds replied on 15 April, saying it was sorry that it hadn't notified Mr L about the re-debit. It paid him £100 for the upset. Mr L was also on an introductory 0% offer, and Lloyds also told Mr L that if he needed longer to repay the money, it would extend his 0% promotion.

Mr L contacted a representative from a claims management company, and his representative wrote to Lloyds on 1 June. This letter said that Mr L had been at work at the time of the ten disputed transactions between 15 and 22 December 2020.

Lloyds replied on 21 June asking for Mr L's authorisation for the representative to act for him. When this was received, Lloyds wrote back on 15 July. In this letter, Lloyds said that the location for most of the disputed transactions was about an hour from where Mr L worked. But it said that as the transactions had taken place more than six months ago, it couldn't find out what time they'd been made. So Lloyds said it would write off and refund the disputed £9,763.32.

Lloyds's 15 July letter said it would refund the ten transactions within three to five working days. Mr L's statement shows that it refunded all ten transactions on 14 July. Nine of them, totalling £8,998.32, were credited straightaway, but there was a systems problem with the remaining one. The systems problem was resolved and last one finally credited on 17 August.

Mr L wasn't satisfied. He contacted this service, represented by a claims management company. On Mr L's behalf, the claims management company said Mr L had suffered inconvenience, stress, anxiety, inference that he'd behaved fraudulently, and pain. It said

he'd also suffered financial loss because he'd paid the claims management company £980 for its services.

The claims management company said Mr L wanted Lloyds to pay him £10,000 compensation plus £1,000 for the claims management company's services.

Mr L also told the investigator that he'd been concerned about his credit file, and had had to use savings to pay off part of the balance. He also said it had meant he'd had to move out of rented accommodation to move back with his parents, and had experienced distress.

The investigator said that it had been reasonable for Lloyds to have held Mr L responsible in December 2020 for the disputed transactions. The evidence had suggested that he'd authorised the payments, and Mr L hadn't offered any new evidence when Lloyds turned down his claim on 23 December.

But the investigator thought Lloyds had made an error when it had incorrectly refunded Mr L – and when it hadn't told him it was going to re-debit the money. He thought Lloyds should award Mr L some compensation. There's been some confusion about the amount. In the investigator's View, he said Lloyds should pay another £200, but in correspondence referred to a total of £200, ie an extra £100. Lloyds replied saying that it was willing to pay Mr L an additional £100, making £200 in total.

Mr L's representative didn't agree. He said that for a major corporation to be liable for gross negligence towards a customer, being slapped on the wrist was demeaning. He said that the lesson they'd be expected to learn wouldn't fit such an insignificant amount of compensation, considering the billions of trade and profits and the millions Lloyds gambled daily in trading rooms. He said that Mr L wouldn't have been aware of the Financial Ombudsman Service without him, so Mr L should be compensated for the representative's fees. The representative said that if the claim were to be determined by judicial means, Mr L would certainly have been awarded a costs order. Mr L's representative asked for an ombudsman's decision.

### **My provisional findings**

I issued a provisional decision on this complaint. Before doing so, I considered all the available evidence and arguments to decide what would be fair and reasonable in the circumstances of this complaint.

In my provisional decision, I explained that the only element for me to decide in this complaint is compensation, so I've considered the relevant factors to determine what would be fair and reasonable.

#### *How compensation is worked out*

When considering compensation, we look at two aspects: financial loss, and compensation for distress and inconvenience. The purpose of compensation is to put an individual back in the position they'd have been in, if the error hadn't occurred. Our role is to resolve individual complaints between financial businesses and their customers. It isn't to punish a business, as Mr L's representative would prefer. Anything wider and more general in nature would be the role of the regulator, the Financial Conduct Authority (FCA).

As explained on our website, we're all inconvenienced at times in our day-to-day lives – and a certain level of frustration and minor annoyance is expected. For us to make an award we'd need to see that the impact of a business's mistake was more than someone would expect to experience as part of everyday life.

Other factors we'd take into account include the time a business took to sort out a mistake. We also consider whether there's anything a customer could have done to reduce the impact of a business's mistake.

We don't normally pay compensation to someone else complaining on a customer's behalf. Mr L's representative said that Lloyds should pay £1,000, in addition to the £10,000 Mr L is requesting, in order to pay for his fees. But this service is free, and although Mr L was quite entitled to use a representative if he wished, it's not essential. I've also checked that Lloyds' final response letter did include – as all final response letters have to – referral rights to this service. So Mr L would have been aware of our service through this final response letter. The letter provided contact details for us, and enclosed the leaflet about this service. So if Mr L chose to use and pay a representative, this was his choice, but we wouldn't award extra compensation because of that choice.

### *What Lloyds did and didn't do wrong*

A claim for compensation has to be linked to whatever Lloyds did wrong. So in my provisional decision, I looked at what Lloyds did, and didn't, do wrong in relation to Mr L's complaint.

First, I found that it was reasonable for Lloyds to have held Mr L responsible for the ten disputed transactions in December 2020. Mr L still had his card, and the genuine card – as shown by the chip, which can't be copied or cloned - had been used for transactions. Mr L's PIN had also been used, and Mr L said he hadn't written this down. There are 10,000 possible combinations of a four-digit PIN, so it was unlikely a fraudster could have guessed this.

I didn't have the call recording from 23 December 2020, but there was no record that Mr L raised a complaint following Lloyds' decision during that call. I recognised, however, that only a week later, Lloyds mistakenly credited Mr L's account. Mr L said he thought this meant Lloyds had changed its mind, though I found it surprising he didn't contact Lloyds to check.

So I didn't find that Lloyds was wrong to decide in December 2020 that Mr L was liable for the transactions.

Lloyds did make a mistake when it wrongly refunded Mr L in December 2020. But this was to Mr L's advantage. He had money credited to his account which – on the outcome of the claim for the disputed transactions – he wasn't entitled to. Mr L spent that money, so he had an advantage from this mistake.

Lloyds also made a mistake – one which did impact Mr L adversely – when it failed to notify Mr L that it was going to re-debit the disputed money on 13 April. Lloyds was entitled to re-debit that money, on the evidence it then had about the disputed transactions which indicated Mr L was most likely to have authorised them, either by carrying them out himself or by giving someone else his genuine card and PIN. But Lloyds should have warned Mr L, in order to avoid the shock of seeing the debits.

I also considered whether Lloyds made a mistake in relation to the re-investigation of Mr L's claim. Mr L's representative wrote to Lloyds on 1 June to say that Mr L had been at work an hour's journey from the location of the disputed transactions. This was new information, not raised by Mr L in December. In December, Mr L hadn't complained about the rejection of his disputed transaction claim, and he hadn't put forward the information about his workplace. By June, the records of the timing of the transactions on the five different dates in

December, were no longer available. As it no longer had the evidence, Lloyds agreed to refund Mr L. Looking at the time it took Lloyds to investigate, I found that Lloyds' investigation of this new evidence was reasonable. I found that the refunds were also made in an acceptable timescale after that decision. As I've set out above, nine of the ten transactions were successfully credited to the account the previous day, 14 July, and were all backdated to the relevant dates. In regard to the one which had system problems where the credit didn't go through successfully, the account shows that there were multiple attempts to credit it and it went through on 17 August.

So I considered Lloyds didn't make errors in relation to the investigation raised in summer 2021.

This meant that the errors which I found Lloyds made were:

- It wrongly refunded Mr L in December 2020. But this was to Mr L's advantage. He had money credited to his account which – on the outcome of the claim for the disputed transactions – he wasn't entitled to. Mr L spent that money, so he had an advantage, not a disadvantage, from this mistake.
- It failed to notify Mr L that it was going to re-debit the disputed money on 13 April. It should have done so.

I went on to look at compensation relating to the error about re-debiting the disputed money.

#### *Financial loss*

Mr L's credit card was on a 0% interest introductory deal, throughout the period of this complaint. So no interest was debited on any transactions during this time. This meant there was no financial loss resulting from the re-debiting of the transactions on 13 April.

#### *Distress and inconvenience*

In order to award compensation under this heading, I'd need to be satisfied that the distress and inconvenience was caused by Lloyds' failure to notify him that the disputed amounts would be re-debited.

I realised that it would have been an unpleasant shock to discover that the disputed amounts had been re-debited. But Lloyds had told Mr L in December that it was holding him liable, and I considered it would have been reasonable for Mr L to have contacted Lloyds when he received the unexpected, and mistaken, credit later in December. If Mr L had simply told Lloyds in December that he'd been at work at the relevant times, Lloyds could have checked this against the times of the transactions and the complaint could have been definitively resolved at that time.

Mr L said he'd had to use savings to pay some of the disputed amounts, because he was concerned about his credit file. I could see that Mr L paid £4,310 to his account on 2 June, which brought the balance within his £5,500 credit limit. I could understand why Mr L would have done this, and I recognised that it was an inconvenience, albeit for a short time. But I couldn't say that this was attributable to Lloyds' failure to warn Mr L it was going to re-debit the money. The balance at that point exceeded Mr L's £5,500 credit limit because of the fraud, and because Mr L had spent the credited money without having checked with Lloyds in December. It would have been the same situation if Lloyds had warned Mr L that it would re-debit the money.

Looking at timescales, the transactions were re-debited on 13 April 2021. Mr L raised his complaint on 14 April, and on 1 June his representative told Lloyds that Mr L had been at work at the relevant times. So Mr L knew that his complaint was being considered within a relatively short time. And as I've set out above, I found that Lloyds processed the new evidence within reasonable timescales. So the period when Mr L would have been concerned was relatively short.

Mr L also claimed that because of Lloyds, he had to move out from his rented accommodation to move back with his parents. He didn't provide any financial evidence to back this up – such as his overall financial situation, income, savings, and his rental agreement including notice periods. But in any case I wasn't persuaded that this was a result of Lloyds' failure to notify Mr L that it was going to re-debit the credit it shouldn't have made. The timescale was also relatively short – within about six weeks of his 14 April complaint, his representative had put forward the new evidence for consideration. It's likely that any rental would have needed a notice period. And it would also be surprising if Mr L, having paid his representative a significant sum to act for him, took such a big decision on the assumption that his representative wouldn't succeed in changing the outcome.

So I wasn't persuaded that Lloyds' mistake in not telling Mr L about the re-debit had all the consequences in terms of distress and inconvenience, which Mr L and his representative have set out. I considered some compensation would be fair and reasonable for Lloyds not having warned Mr L that it was going to re-debit the credit it shouldn't have made in December. I considered that a total of £200 would be fair and reasonable for that. Lloyds paid Mr L £100 in April 2021, so that leaves £100 still to pay.

### **Responses to my provisional decision**

Lloyds confirmed that it accepted the findings of my provisional decision.

Mr L's representative said that reluctantly, his client had accepted he would get no further with this service. He said Mr L accepted the recommendations.

### **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 reconsidered the evidence, and in the light of the responses to my provisional decision, I consider my provisional decision was fair and reasonable in all the circumstances of this complaint.

### **My final decision**

My final decision is that I uphold this complaint. I order Lloyds Bank plc to pay Mr L a total of £200 for distress and inconvenience caused by its failure to notify him that it was going to re-debit the erroneous credit in April 2021. Lloyds has already paid Mr L £100, so that leaves £100 still to pay.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 20 September 2022.

Belinda Knight  
**Ombudsman**