

The complaint

Mr T complains about Lloyds Bank PLC's actions when closing his account.

What happened

Mr T held an account with Lloyds. In May 2021, they froze the account following a fraud report. Mr T supplied relevant information to Lloyds, and they removed the block.

In July 2021, Lloyds received another report and blocked the accounts again. They also informed Mr T they'd be closing his account. At the time, Mr T held around £190,000 in his account, and Lloyds removed around £10,000 with the reference 'indemnity recovery' as part of the fraud reports they'd received. Lloyds also added Mr T's details to the Credit Industry Fraud Avoidance System (CIFAS) database.

In September 2021, Lloyds closed Mr T's account and asked him to attend branch to withdraw the remaining money held. However, Mr T wasn't able to attend branch as he was living overseas.

Lloyds reviewed things again. They found they could have done more to support Mr T when the first fraudulent reports were received in May 2021 – and they think if they had done so, they could have avoided the further fraudulent reports being received in July 2021. They agreed to pay back all of the money to Mr T – including the £10,000 or so they removed for the indemnities; and removed the CIFAS loading. Lloyds transferred Mr T some money on 2 December 2021 and the remaining money on 6 December 2021.

Mr T said this whole situation caused him significant distress, time, and effort through trying to sort out the issue and resulted in him losing out on work contracts, investments, and property purchases.

Lloyds upheld Mr T's complaint. To try and resolve things, they paid the following:

- 8% simple interest on the funds which were held from 2 July 2021 up to 2 and 6 December 2021;
- £750 compensation for the distress and inconvenience caused;
- £200 to cover the call costs incurred.

Mr T remained unhappy and referred the complaint to our service. He estimated his losses to be around £30,000.

In the meantime, Lloyds agreed to increase the call cost payment from £200 to £400 so our investigator made Mr T aware, but he remained unhappy.

Our investigator reviewed the complaint and thought Lloyds had to do more to put things right. He recognised the distress the overall situation had caused Mr T but explained to him that £30,000 compensation wasn't appropriate in the circumstances. Mr T had supplied evidence to show how he came to the £30,000 figure, but our investigator didn't agree it was sufficient. Our investigator thought Lloyds's offer of paying 8% simple interest and £400 for

the call costs was reasonable. But thought the compensation amount should be increased to £1,000.

Mr T didn't agree. He maintained that £30,000 was to cover the direct losses caused to him; and the £1,000 total compensation wasn't enough.

As an agreement couldn't be reached, the complaint was passed to me.

I sent a provisional decision. In it, I said;

I've noted that Mr T has made a number of quite detailed submissions. I've considered all of these, but I don't believe it's necessary to address each and every point that Mr T has made in order to meet my statutory duty to determine his complaint. I'm required to do that with minimum formality, and so I'll address the issues that I consider to be the most important. I do stress however that I've considered everything that Mr T and Lloyds have said before reaching my decision.

I should also add that my decision relates to the events from July 2021 onwards – therefore, I'm not considering the initial block in May 2021.

Were Lloyds entitled to review, block, and close Mr T's account?

Lloyds are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. Based on what I've seen, I'm satisfied Lloyds were acting in line with these obligations when reviewing, blocking, and subsequently closing Mr T's account.

Lloyds are required to regularly review the relationships they hold with their customers and it's often appropriate for certain transactions to be reviewed. In Mr T's case, Lloyds received fraudulent reports in July 2021, so I'm pleased to see they took the action to block any further activity on the account while they investigated things. I'm satisfied based on the evidence I've seen that Lloyds were entitled to close Mr T's account and did so by complying with the terms and conditions of the account. I appreciate Mr T believes these reports consisted of false allegations – but that doesn't mean Lloyds weren't entitled to take the action they did. It is necessary for banks to protect their customer's money and so, I think in the circumstances at the time, their actions were appropriate.

Therefore, I can't reasonably say Lloyds did anything wrong when deciding to review, block or close Mr T's account.

Withholding the money

I appreciate Mr T was without his money for around five months in total. I recognise how frustrating it must have been for Mr T to be unable to use his account. And I appreciate this would have put him in a financially challenging position, especially as he says he wasn't able to commit to work contracts and lost out on property purchases. But a bank can't always guarantee that funds in an account will be readily available as they have broader regulatory obligations with which they have to comply.

That being said, I haven't seen enough evidence to satisfy me that Lloyds should have blocked the money in the account which wasn't subject to the fraud reports. And since Lloyds have also confirmed they could have avoided the fraudulent reports being received, it's reasonable to suggest the money shouldn't have been blocked at all. I also consider Mr T could have got his money back sooner than he did and find Lloyds likely caused unreasonable delays.

Usually, in cases where a consumer has been unfairly refused access to their money, we recognise this loss through suggesting 8% simple interest is paid on the time and amount of money held. We use 8% simple interest because it's the current statutory interest rate on judgement debts and therefore we feel is the most reasonable way to recognise the loss of use. I'm pleased to see Lloyds have acted on this by paying Mr T 8% on the total funds held, from the time they were initially blocked in July 2021 up to when Mr T received them back in December 2021. Because of this, I won't be asking Lloyds to do anymore in this regard as I feel Lloyds have fairly recognised the loss of use in the same way our service would suggest.

Financial and non-financial loss

Mr T has provided documentation to support the financial losses he has faced as a result of this issue. Firstly, Mr T has been able to provide persuasive evidence to show the calls he had to make as a result of this issue likely cost in the region of £400. I recognise Lloyds previously paid £200 and agreed to pay £400 in light of this new evidence. I agree this is sufficient based on the evidence I have seen.

Mr T has also said he wasn't able to commit to work contracts, or purchase properties. While I've carefully considered what Mr T has provided, I don't consider it shows that Lloyds' actions alone prevented Mr T from partaking in these activities. I say that because the work contract issue for example suggests that Mr T was dealing with 'personal issues' at the time. While I've no doubt this was linked to the sudden block and closure of his Lloyds account, the evidence Mr T has sent doesn't include any dates which coincide with the issue and it doesn't necessarily explain why Mr T wasn't able to continue with his work – especially as he had access to another account. I also haven't seen enough to show Mr T was engaged in a potential property purchase, or investment fund, which was then withdrawn due to not having access to these particular funds on these dates. I know how strongly Mr T feels about this, but I can't reasonably hold Lloyds responsible.

Distress and inconvenience

I've no doubt this overall situation caused a significant amount of distress and inconvenience to Mr T. I've carefully thought about the right amount of compensation to put things right, and while I recognise Lloyds have already paid £750, I consider a total compensation amount of £1,500 to be more appropriate. I've reached this amount due to the stress of having to continuously chase Lloyds and the time it took for Mr T to get his money back. I haven't seen that the CIFAS marker being applied had a large impact on Mr T, but I do consider this still would have been a worry. I've also thought about the point that Lloyds told Mr T to withdraw his money in branch – but Mr T wasn't able to as he was residing overseas at the time.

Having said that, I am pleased Mr T was able to mitigate his losses to some extent by having access to another account.

Placing a value on distress and inconvenience is not an exact science. And our awards are not designed to 'punish' businesses for any mistakes they've made. But in this case, I think total of £1,500 seems fair compensation. I recognise Mr T will be disappointed by this amount as he wants significantly more, but I hope I've been able to explain above why I can't fairly award the sum Mr T is requesting. The Ombudsman is an informal dispute resolution organisation. My role within that is to consider Mr T's complaint and decide what I think is a fair resolution to put Mr T back into the position he would have been in had Lloyds not made the mistakes they did. And this is what I have done here.

Mr T responded and didn't have any further comments to add. Lloyds responded and accepted the provisional decision.

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.

As neither party raised further arguments, I see no reason to depart from my provisional findings above.

In summary, I'm satisfied Lloyds were entitled to review, block, and close Mr T's account. And while I recognise there were delays in withholding the money, I consider Lloyds have already recognised the loss of use by paying Mr T 8% simple interest on the total funds held from July 2021 to December 2021. However, I do think Lloyds should pay further compensation for the distress and inconvenience caused, and a higher amount to reflect the call costs Mr T incurred.

Putting things right

Lloyds have agreed to pay £200 further to the call costs Mr T incurred. I consider a total amount of £1,500 compensation to be a fair reflection of the distress and inconvenience caused to Mr T in the circumstances.

My final decision

My final decision is that I uphold this complaint.

To put things right, Lloyds Bank PLC should do the following:

- Pay Mr T an extra £200, in addition to the £200 already paid to cover the call costs, to bring the total amount to £400.
- Pay Mr T an additional £750 compensation, in addition to the £750 already paid, to bring the total compensation amount to £1,500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 20 March 2023.

Hayley West
Ombudsman