

The complaint

Mrs P complains that Lloyds Bank PLC (Lloyds) wouldn't make a payment and have retained her money.

What happened

Mrs P received a credit into her account for £2,013 on 14 July 2022. It came from an account in her name at another bank (which I will call bank A). She then tried to make a payment to a charity for £1,975.00. Lloyds wouldn't make the payment and Mrs P then visited a branch. The branch also declined to make the payment. During Mrs P's visit to the branch, Lloyds called the police and then closed her account and after contact from bank A, retained the money.

Mrs P complained. She said Lloyds should have made the payment and she didn't have to tell them where the money came from or where it was going. She said she wanted Lloyds to give her the money back.

Lloyds said the payment wasn't made as it was picked up for a fraud checks. Mrs P would not tell Lloyds where the money was from, nor why she was sending the money. They were concerned it was part of a scam. Lloyds called the police to ask Mrs P some questions but she wouldn't tell them anything either. Lloyds said Mrs P became abusive in the branch and so they decided to end their banking relationship with her.

Mrs P brought her complaint to us. Our investigator said Lloyds acted reasonably in connection with the withholding of the payment as part of their fraud checks. Lloyds were concerned that Mrs P had been coerced by a fraudster. He said Lloyds could also close Mrs P's account without notice if they wished - and had done so given Mrs P's behaviour towards staff in the branch. During our investigation, Lloyds told us they'd retained Mrs P's payment of £2,013. They'd been asked to do so by bank A, who suspected there was something suspicious about the funds received into Mrs A's account with them. Our investigator said that wasn't fair - and said that Lloyds should release £2,013 to Mrs P, plus interest at 8%p.a. and pay compensation of £150.

Lloyds didn't agree and asked that an ombudsman look at Mrs P's complaint. Therefore, it has come to me.

I reached a provisional decision which said:

There are three aspects here:

1. Lloyds' refusal to make the payment of £2,013.
2. Lloyds' decision to close Mrs P's account.
3. Lloyds' decision to retain Mrs P's balance of £2,013.

Payment of £2,013: Lloyds, like all banks, have systems in place to check payments for fraud before they're made. And so, some payments are withheld pending further inquiries of customers. Lloyds did that with Mrs P's payment. And she then refused to say where the payment had come from (i.e. the origin of the money), nor who the beneficiary was and why she was making the payment. Under those circumstances, it was reasonable for Lloyds to not make the payment.

This is included in their terms of business which say: "*Where we reasonably suspect a payment instruction involves illegal or fraudulent activity, we may ask you to take further steps to check the payment is not illegal or fraudulent or to give you time to cancel your payment before we process it. We might do this where we think it's likely someone has tricked you into making the payment. In these circumstances, we may: ...not accept your payment instruction until you have provided confirmation that you have taken further steps and have confirmed the payment is genuine; or...Where we (or the systems we use) still reasonably suspect the payment instruction is fraudulent after you have carried out further steps, we can refuse to make a payment.*"

Closure of Mrs P's account: I looked at Lloyds terms of business here – and these say Lloyds can close an account if a customer acts improperly – which Lloyds say Mrs P did – as she was abusive to staff in the branch. The terms say: "*We can end this agreement (or account, benefit or benefits package or service) without telling you in advance if we reasonably think that:...you are or may be behaving improperly. This includes being abusive or threatening to our staff or including abusive or threatening messages in payment instructions...*". Therefore, it was reasonable for Lloyds to close Mrs P's account.

Retention of £2,013: Here, I disagree with our investigator. Bank A have asked Lloyds to retain the funds because they suspect a possible fraud at bank A. But that is for bank A to deal with. But - I don't think it's reasonable for Lloyds to hold onto the money on behalf of bank A.

And Lloyds terms say that they must return the money to bank A - but not to Mrs P. It is then for bank A to decide how they deal with the suspected transaction. I say this because Lloyds' terms and conditions say this – they say, "*If we find out that a payment into your account was made by mistake or fraud within two months of receiving it, we will: remove the amount of the payment or stop you from accessing it; (and) tell you we will return the payment.*"

Therefore in this case, Lloyds should return the funds to bank A. It is then for bank A to decide how to deal with the balances in Mrs P's account with bank A. It would be normal for Lloyds to advise bank A in advance that the funds are to be returned to bank A.

Mrs P should then contact bank A to access her balances there. I can't predict how bank A will respond to her request for payment of the money – as that is a matter for bank A to decide, based on their inquiries. This may, or may not, result in bank A allowing Mrs P to access the money. I know that this isn't the outcome which Mrs P was looking for, but having reviewed what happened, I'm persuaded that this is the correct course of action.

Responses to the provisional decision:

Neither Lloyds nor Mrs P made any comments.

I now need to make a final 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 Lloyds nor Mrs P made any comments, my final decision is the same as the provisional decision.

My final decision

I uphold this complaint. Lloyds Bank PLC must:

- Return the payment of £2,013 to bank A; and advise bank A in advance of that.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs P to accept or reject my decision before 25 April 2023.

Martin Lord
Ombudsman