DRN-4049462

The complaint

A charity, which I'll refer to as F, complains about how Lloyds Bank PLC handled its request to open a new charity account.

Mr Y, a trustee of F, brings the complaint on F's behalf.

What happened

In November 2021, on behalf of F, Mr Y applied online to open a charity bank account with Lloyds. In December, he phoned to continue the account opening process. Mr Y was advised that he would receive an application pack to complete and certain documents would be required. Mr Y says that he didn't receive this pack and had to phone repeatedly to chase it up until it was finally delivered.

Mr Y compiled the documents and sent everything back by recorded delivery. He didn't hear anything so chased things up again. Mr Y had to call on a few occasions. Eventually, Lloyds explained that the account mandate form was missing. However, Lloyds said that Mr Y could attend his local Bank of Scotland branch to deliver it. Unfortunately, when Mr Y tried to do this, it wasn't possible, resulting in a wasted trip. Instead, Mr Y sent the form by recorded delivery.

Mr Y complained – and began a long-running engagement with Lloyds' complaints department.

In Lloyds' response to this initial complaint, in January 2022, it apologised for the poor service it had provided. It acknowledged that arrangements should have been made with Mr Y's local Bank of Scotland branch to ensure it could scan and deliver the form as proposed. It sent F a cheque for £25 for the inconvenience caused. Although Mr Y refused to bank this cheque, this amount has now been paid. However, Lloyds didn't agree with Mr Y's complaint about the length of time taken to open F's account or about not receiving the information sent to him in the post. Lloyds said that it couldn't open the account until all the required documents were returned and reviewed; and it says it sent packs to Mr Y in November, December and again in January. It confirmed that it had now received the mandate form.

Mr Y continued to chase for updates and press for the account to be opened. In early February, Lloyds said that F's account was now operational, and sent Mr Y both a paying-in book and a cheque book for the account. However, it explained that it hadn't completed all its checks. Mr Y was surprised that, despite apparently opening the account, Lloyds hadn't sent him a welcome pack. He also requested internet banking and debit cards, but Lloyds said these wouldn't be provided while the account application process was ongoing.

Mr Y also asked Lloyds for an account statement so that he could complete F's gift aid registration with HMRC. Initially, the form Lloyds sent was insufficient but, subsequently, it did provide the statement he needed.

In mid-February, Lloyds contacted Mr Y to explain that there were various problems with F's application. It said, among other things, that the proof of address for one trustee didn't match the application; the proof of address for another trustee had only a first initial for the first name so it wasn't clear to which trustee it related; the proof of address for two trustees didn't have the certification statement; F had not provided a letter confirming its trustees; and the mandate wasn't clear on whether it wanted all to sign or any one of the four authorised people to sign.

After further investigation, Lloyds phoned Mr Y back a few days later to explain that, unfortunately, F's application had failed. There followed several more phone calls between Mr Y and Lloyds as Mr Y complained and sought updates on where to go next.

In March, Mr Y submitted fresh documentation. However, further problems arose. At one time, Lloyds identified that the trust form showed a different name for one of the trustees compared with her identification document; and at another time that the beneficiary of the trust was recorded to be an individual (Mr B), which needed reconciling with the stated charitable purposes of the trust. Both these issues took a number of iterations to address. Mr Y explained that the difference in the trustee's name was due to the trustee's passport showing her maiden name and the trust form showing her married name. He provided the necessary evidence to support this – and was disappointed that Lloyds had only raised this problem when he'd chased them, rather than pro-actively raising it with him. Mr Y also explained that, while the funds raised in the UK would be sent to Mr B in Pakistan, Mr B wasn't the eventual beneficiary as he would then distribute the funds to the charitable causes F was supporting. Again, Mr Y amended the forms to address Lloyds' concerns. Mr Y says that Lloyds itself didn't seem to know what F needed to provide to demonstrate Mr B's role and the ultimate beneficiary of the charity. He says it was only when the matter was eventually taken up with Lloyd's experienced charity account handler that matters were clarified.

On several occasions, things went wrong in the ongoing interactions. Sometimes Mr Y misspelt 'Lloyds', meaning that emails didn't go through. But Lloyds sometimes didn't send emails to Mr Y when it said it would, causing him to have to chase things up in more phone calls; sometimes it simply didn't reply to Mr Y's emails; and some communication from Lloyds to Mr Y felt to him discourteous, for example in attaching documents but without any message.

The process continued for a further two months. Mr Y then complained again. In April, Lloyds issued its second response to Mr Y's complaints and, again, apologised for its poor service. It acknowledged that it had failed to contact Mr Y on numerous occasions to keep him informed about his application, and it sent him a cheque for a further £250 for the inconvenience caused. Mr Y never banked this cheque, and this amount has not been paid. Lloyds did not agree with Mr Y's concerns about the extent of the information it had requested, which it explained had all been necessary to complete its checks and to comply with its regulatory requirements.

Mr Y continued to press for updates. Having engaged for a few months with Lloyds' complaints handling team about F's application, Mr Y was disappointed that:

- when one complaint handler left, there was little handover to the next handler responsible for taking on his case;
- the new complaint handler admitted that she didn't have the expertise to address all his concerns and to help set up F's account; and
- when he was put through to a person in Lloyds' account opening team who appeared able to help, despite her invitation to call her again whenever needed, she was never available to take his calls and didn't phone him back.

On one occasion, when Mr Y was seeking confirmation over the phone that he was completing the forms correctly, it seemed to him that the person he was speaking with was relaying messages to the representative in Lloyds' account opening team rather than putting him through, which he thought indicated that she didn't want to speak to him.

In May, Mr Y complained again. He felt deeply frustrated. He says that the time lost due to Lloyds' incompetence, unhelpfulness and protracted processes had cost F substantial fundraising income for its various charitable projects in Pakistan, including a sewing centre, wheelchairs and a water pump. He explained that Ramadan would have been a particularly significant period for fundraising, which had been missed. Although F's bank account had remained operational, it was still not fully opened, with no internet banking or debit cards. He added that, despite asking Lloyds to send back the original trust documents he had provided, these had still not been received. Mr Y said that the £250 offered by Lloyds was inadequate for the inconvenience and lost income Lloyds had caused, and its errors warranted at least £1,000.

In late May, Lloyds contacted Mr Y again. It said that it had closed F's account and enclosed a cheque for the balance.

Mr Y was amazed and disappointed that Lloyds would close F's account without any formal closure letter, or even a call to explain what it was doing and why. At this time, he'd understood that there was only one more document outstanding to finally complete the process.

Lloyds later explained that the information provided by Mr Y didn't meet its application requirements and its account opening checks had not been passed. It said this was its commercial decision in accordance with its own risk guidelines.

In June, Mr Y complained again, setting out 14 points of complaint. He asked for his complaint to be escalated to the Chief Executive's office. Mr Y said that the bank's actions had led to an estimated loss of £10,000, and he sought £5,000 in compensation. He also suggested that F's application had been declined based on non-commercial/compliance factors.

A senior complaint handler at Lloyds phoned Mr F to respond to his complaint and sent a follow-up letter. Lloyds again apologised for its mistakes and its lack of clarity in communicating with Mr Y. Lloyds also admitted that it had lost F's original trust deed, which it believed had been destroyed in error. Lloyds said that senior managers had been informed of the failings in their different areas. Lloyds also said that its account opening team had again reviewed F's account application but had confirmed that it would not be approving it as Lloyds was no longer opening this type of account. However, in response to concerns raised by Mr Y, it confirmed that it hadn't placed any markers against F on its systems, which might have inhibited F from opening an account elsewhere. Lloyds initially offered F a further £500 in compensation, which it then increased to £750 as its final offer. Mr Y did not accept this offer.

Following this response, Mr Y wrote to Lloyds' CEO seeking to take matters further. In July, Lloyds replied again but with no change to its decision. It acknowledged a clear lack of due consideration and professionalism and said that it was abundantly clear that it had fallen short in the service provided. It repeated its offer of compensation.

Mr Y remained disappointed. He said that the bank could not be bothered to investigate his concerns or to respond to his 14 detailed points of complaint.

In September, Lloyds stopped the two cheques it had previously issued as compensation (for £25 and £250). It also stopped the cheque it had issued to F to return the balance on its account. Lloyds then transferred this closing balance and £25 to a new account F had set up with another bank. The remaining £1,000 compensation offered by Lloyds (£250 and £750) remains unpaid.

But this process also didn't run smoothly, and Mr Y complained again. In its response, Lloyds acknowledged that a call back Mr Y had been promised didn't happen, which had caused Mr Y to have to phone back again; a caller verification process had been difficult with apparent system issues; and a further call had been dropped while being passed between departments. Lloyds apologised for the frustration this had caused and accepted that the process to transfer F its money had taken longer than it should and resulted in Mr Y needing to chase the bank to progress matters. It paid F £100 in compensation.

Finally, Mr Y brought F's complaint to our service. He said that he felt deeply frustrated and wanted the entire case re-opened. He reiterated that Lloyds' customer complaint handler had wasted both his time and hers in managing a case that she had declared she wasn't competent or trained to understand. And he set out again the many times Lloyds hadn't returned his calls or acknowledged his correspondence, which he said felt disrespectful. He explained how, throughout the process, he had needed to repeat the whole story countless times to finally reach the right department. Mr Y emphasised the substantial fundraising income which had been lost as a result of all these failings.

Our investigator considered F's complaint and agreed with Mr Y that Lloyds had made many mistakes. He said Lloyds had caused delays in the account opening process and should have communicated better. He also said that Lloyds had failed to provide updates in a timely manner; and, had Mr Y's concerns been addressed directly by someone trained in setting up charity accounts, further issues could have been avoided. However, although our investigator acknowledged Mr Y's depth of frustration, he said that, overall, Lloyds offer of £1,025 to compensate F was fair. Our investigator noted that not all of the delays were caused by Lloyds, for example in the mandate form not being included initially and in the provision of inconsistent trustee names.

Mr Y didn't agree with this view so asked for an ombudsman's 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.

I'd like to assure Mr Y that I have conducted a thorough impartial and unbiased review of everything that has happened in this case. I have reviewed all the material provided carefully and considered everything afresh.

Having set out above in some detail the circumstances of this dispute, I'm not going to repeat it all again here. It is clear to me that Lloyds made numerous mistakes, including:

- It didn't respond to all Mr Y's calls on a timely basis, and sometimes didn't respond at all, despite sometimes committing to call back
- It didn't acknowledge all Mr Y's correspondence or the receipt of key documents from him
- It wasn't always clear in the documents and information it needed
- It lost (and probably destroyed) F's original trust documents despite Mr Y asking for them to be returned
- It failed to keep Mr Y adequately informed about the progress of F's application,

causing Mr Y to have to chase the bank repeatedly – eg although Lloyds could have contacted Mr Y about the missing mandate or later about the discrepancy in trustee name, in both instances Mr Y had to chase Lloyds first

- It often wasn't able to route Mr Y's calls effectively when he phoned in for updates or to request further information, causing him to have to explain the situation multiple times and wait as his call was transferred
- Some correspondence from the bank was discourteous, without a greeting or message
- While Lloyds wasn't obliged to send a welcome pack (or debit cards or internet access) to Mr Y when it enabled F's account, given that the account wasn't fully approved, it should still have made this clear and provided some explanatory letter
- While Lloyds' complaint handler was trained in complaints handling, she wasn't always able to access on a timely basis the required expertise of Lloyds' account opening team
- When the account opening team committed to being available to help Mr Y directly, it should have followed through on that commitment
- While Lloyds was under no obligation to provide its reasons for declining F's account application, it should have sent some form of account closure / explanatory letter

It is also clear to me that a result of these mistakes was a considerable delay in F's application being processed and in F receiving Lloyds' ultimate decision.

This is not to say that all the delays were due to Lloyds. It is also clear to me that F made some mistakes in its application, as set out in the background section above – but in this decision, I am focussing on what Lloyds should have done better.

While Lloyds hasn't individually identified each of its failings, it has acknowledged more broadly its mistakes, and apologised for them. Having reviewed Lloyds' internal notes and its responses to Mr Y's complaints, I believe it has considered the circumstances of F's complaint thoroughly. Therefore, I do not believe there would be merit in requiring Lloyds to review matters again.

I have also seen nothing to indicate that Lloyds targeted F for unfair treatment or discriminated against it in any way. Rather, it appears to me that Lloyds' decision to decline F's application was made for commercial reasons the bank was free to make and, while the service it provided was poor, this wasn't due to any feature of F.

For these reasons, I believe the single outstanding question for me to consider is the appropriate amount of compensation due to F from Lloyds for its mistakes.

Lloyds has paid F £100 for the delay in processing the payment of F's closing balance. I think this amount is fair. The administrative failings acknowledged by Lloyds as set out in the background section above caused some delay to Lloyds making this transfer, but this delay was short. And I believe the inconvenience to F was limited.

The more substantial compensation relates to Lloyds' mistakes during the account opening process. Lloyds has offered £1,025 (of which £25 has been paid); while Mr Y believes F has suffered far greater loss and is seeking £5,000.

Mr Y has provided various receipts and records showing the use of F's charitable funds in Pakistan. I have reviewed all this material. Mr Y has also said that F missed out on significant fundraising opportunities through not having its account fully open, particularly during Ramadan.

I'm aware that F did receive one large donation. However, as a new charity, I cannot look back on its previous history to indicate what level of income it might have received without Lloyds' delays. And I also cannot tell what proportion of potential donations would have been delayed rather than entirely foregone. While I acknowledge that donations to Islamic charities typically increase significantly during Ramadan, it is impossible to know how much this might have impacted F. And it is also impossible for me to quantify the effect of F's charitable activity being delayed in Pakistan. Therefore, determining an appropriate amount of compensation for the harm to F inevitably requires some judgement.

While I acknowledge that a delay in F's UK fundraising might have caused an exchange rate loss compared with being able to transfer the funds to Pakistan earlier, I don't believe this consequence was reasonably foreseeable from Lloyds' mistakes, and is an effect which could have gone in either direction. Therefore, this isn't something I would compensate.

Alongside the financial harm to F, I must also consider the inconvenience to F. It is clear from the circumstances set out above that Lloyds' mistakes added considerably to the time required by Mr Y to make F's account application and to provide Lloyds with all the required information and documentation. The fact that the application ultimately proved fruitless is not a factor for me to consider as that's likely to have been the result even without Lloyds' errors. However, given the sustained period over which Lloyds' mistakes occurred, and the extensive additional time required of Mr Y, I do believe the inconvenience was significant.

Overall, having taken into account all the circumstances of this case and the mistakes made by Lloyds, and having considered both the financial harm to F in lost income and the inconvenience to F throughout the whole process, I believe the offer made by Lloyds to compensate F is fair. While we will never know how much F would have raised had it been able to open an account earlier, and while it is impossible to perfectly quantify the inconvenience to F, I believe a total sum of £1,025 is fair compensation in the circumstances, and broadly consistent with an amount I would have award to F had Lloyds not made an offer. As £25 of this amount has already been paid, Lloyds will need to pay F a further £1,000.

I know that Mr Y will be disappointed with this outcome as he would like F to be compensated a much larger amount. But I hope he is assured by an independent third party having reviewed everything afresh and by my findings supporting many of the concerns he's raised. I also want to acknowledge how frustrating and challenging this whole episode has been for Mr Y personally, for the reasons set out above.

My final decision

I uphold this complaint and require Lloyds Bank PLC to pay F the further £1,000 it has offered.

Under the rules of the Financial Ombudsman Service, I'm required to ask F to accept or reject my decision before 24 July 2023.

Andy Wright
Ombudsman