

## **The complaint**

Mr F complains that Lloyds Bank PLC won't allow him to use his credit card normally and they have provided him with poor customer service.

## **What happened**

Mr F says that over the last 18 months he has had increasing difficulty using his Lloyds credit card as his transactions were being rejected. Due to this he has visited three of their branches to resolve the matter, but in two of these branches the staff have dismissed his concerns by telling him there was nothing they can do. But in the third branch, they advised there was an issue with the security on his card and they called the credit card customer line when he was in the branch. They told him the issue was now fixed and he should have no further issues moving forward. But Mr F still encountered transactions being rejected after this, so he rang Lloyds. The call handler told Mr F that she couldn't see a rejected transaction, and if she couldn't see the transaction she would be unable to assist him. Mr F made a complaint to Lloyds.

Lloyds partially upheld Mr F's complaint. They said they would pay £40 into his account for the poor customer service he received. Lloyds said they were unable to provide the exact reasons why transactions are declined for a security check. They said this information is sensitive and completed by their systems. Lloyds said that their process is that Mr F must call into their fraud team who would perform additional security checks to ensure the transaction is genuine and that none of their frontline teams have the facility to make outbound calls. Lloyds said there would be an audit trail in their systems if the transactions made in a store were declined by themselves, therefore Lloyds believe that the transactions in question had been declined on the merchants side.

Mr F brought his complaint to our service. Lloyds told us that they can't say with certainty that Mr F's card is faulty, but they feel they should have issued a new card at the complaint handling stage. And for this they would offer a further £100 compensation to total £140.

Our investigator said he felt the £140 compensation in total was fair for the poor customer service Mr F received and for Lloyds not ordering Mr F a new card in case it was faulty. He said the terms and conditions of the account allow Lloyds to block an account or transaction if they have concerns about fraud, so the business didn't do anything wrong by doing this.

Mr F asked for an Ombudsman to review his complaint. He made a number of points. In summary, he said he has received no explanation of why his card was blocked, he didn't receive a text message about the declined transactions. He said he has access to online banking with Lloyds so it would be easy for them to send him a message on their internal system. Mr F said that he needs to book a holiday and if the transaction is declined he will have no consumer protection if he is forced to use his debit card to pay for this. He said £100 compensation does not compare to the potential loss of a far larger amount as a result of not having the appropriate level of protection. Mr F said that Lloyds could send him a One Time Passcode (OTP), but they haven't done so. He said he spoke to a retailer where a transaction he attempted was declined, and they confirmed they didn't decline the transaction at their end.

## **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.

Mr F has made a number of points to this service and I've considered and read everything he's said and sent us. But, in line with this service's role as a quick and informal body I'll be focusing on the crux of his complaint in deciding what's fair and reasonable here.

I'd like to explain to Mr F that it is not within this service's remit to tell a business how to run their security procedures in order for the business to be satisfied they are meeting their regulatory requirements. It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct Lloyds to make changes to their policies and procedures, if necessary. So I'm unable to tell Lloyds how they should communicate with customers when a transaction or account is blocked, or tell them to send Mr F an internal message which would be visible on his online banking, or to send him a OTP to verify a transaction was genuine.

Banks and building societies have an obligation to try and keep their customers' accounts safe and prevent them being victims of scams. Sometimes they identify and block legitimate payments due to security concerns. This can cause distress and inconvenience to a customer – but it doesn't necessarily mean they have acted incorrectly.

I've looked at whether Lloyds have acted in line with their terms and conditions of the credit card here. I'm satisfied that they have, and I'll explain why. The terms and conditions, shows that there is a list of reasons under section B2.5 where they can block Mr F's card or refuse to authorise a transaction including, but not limited to, a possible risk to Mr F based on a reasonable assessment of a number of factors, if they consider it necessary to protect the security of his account, or they believe it is necessary as part of their procedures to prevent fraud or the misuse of the card. So I'm satisfied that the terms show they can refuse to make a payment.

Our investigator has provided Mr F with evidence as an example that Lloyds did send him a text regarding a declined transaction. But Mr F says he's received no text from Lloyds. As Lloyds system shows the text message was sent successfully, then I can't hold Lloyds responsible for the delivery of a message, when this would be outside of their control. Lloyds confirmed in their response to Mr F's complaint that he would need to call their fraud team who would perform additional security checks to ensure a transaction is genuine. So I'm not persuaded a text message would remove the requirement to call them in every instance, especially when extra checks are needed to be completed.

It is not clear whether Mr F's card was faulty, although I note from his complaint form to our service that he believes his card is not damaged in any way. But Mr F would not use his physical card for online transactions. And he has provided our service with screenshots which show declined transactions with multiple different retailers online, so I'm not persuaded a faulty card would be responsible for all of the declines he had.

I've considered what Mr F has said about a retailer he spoke to confirming that they hadn't declined his transaction at their end. But Lloyds have confirmed if they declined a transaction it would have been showing on their system, which the transaction(s) in question weren't showing on their system, so they didn't decline the transaction. It's possible that there could have been a brief connectivity issue between a merchant's terminal sending the authorisation to Lloyds, so if the signal had dropped then Lloyds wouldn't receive the request – therefore it wouldn't show on their system – and the transaction would show as declined.

So it's possible that both parties are telling the truth, in that the retailer didn't knowingly (due to a dropped signal) decline the transaction, and Lloyds didn't decline it either as it didn't show on their systems.

Lloyds acknowledge that they should have issued Mr F a replacement card when he brought the issue to them and complained. And so they have offered an extra £100 compensation for this. I've considered whether the total of £140 compensation is fair for what happened here. Mr F has said the extra £100 compensation does not compare to the potential loss of a far larger amount as a result of not having the appropriate level of protection. But here, I can only look at what has already happened, and not what might happen in the future. And Lloyds terms and conditions do allow them to block a transaction.

Lloyds have let Mr F down with how they have dealt with him in the branch and over the phone. And they acknowledge that they should have sent him a replacement card when he raised the complaint. So I am persuaded that more than £40 compensation should be due to Mr F. But I'm satisfied that an extra £100 for distress and inconvenience is fair for what happened here. I say this because compensation is a discretionary remedy that we sometimes award if we feel that a business has acted wrongfully and therefore caused distress and inconvenience to their customer over and above that which naturally flows from the event. When we recommend compensation, it is often modest and within our established guidelines. So I'm satisfied that the extra compensation to total £140 is in line with our guidelines for the poor customer service he received from Lloyds. So it follows that I'll be asking Lloyds to put things right for Mr F.

### **Putting things right**

It has been suggested that Lloyds pay an extra £100 compensation to Mr F to total £140 compensation, which I think is reasonable in the circumstances.

### **My final decision**

I uphold this complaint in part. Lloyds Bank PLC should pay Mr F an extra £100 compensation to total £140 compensation for distress and inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 12 June 2023.

Gregory Sloanes  
**Ombudsman**