

The complaint

A company I'll call E complains that Lloyds Bank PLC (Lloyds) is withholding its funds pending ID checks, after closing E's accounts. To put things right, E wants Lloyds to return the account balance.

E is represented by one of its directors, Mr A.

What happened

In 2022, Lloyds blocked E's account while it carried out a review. On completing the review, Lloyds decided it no longer wanted to do business with E, so it wrote to Mr A on 22 July 2022 giving notice of its intention to close his accounts in 2 months' time. The letter said Mr A could collect his credit balance by taking the notice to close letter, along with identification to a local branch. The letter clearly specified what ID documents would be acceptable, and the documents requested were common identification documents.

Mr A says he attended his local branch in August with ID, but was told his account was blocked, so he couldn't withdraw the funds. Lloyds later apologised, saying that wasn't correct and paid him compensation of £25 and said its closures team would be in touch.

On 29 September, Mr A wrote to Lloyds asking for his accounts to be closed and a cheque for the balance sent to his home address. He spoke to Lloyds to insist they release his balance by cheque, but Lloyds said it couldn't accommodate that request, and repeated that Mr A must attend a branch, as previously described. It apologised for what it described as multiple lengthy phone calls Mr A had made and sent him a cheque for £30 as compensation.

Mr A remained unhappy, so he brought his complaint to our service. He said he works full time and only has Sundays off, when Lloyds' branches are closed. So, he insisted Lloyds send his account balance by cheque.

Our investigator was satisfied Lloyds was entitled to block and close Mr A's accounts, but she felt it had delayed in releasing the funds, because it appeared Mr A had previously attended branch with ID as requested but had been turned away. So, she awarded 8% simple interest from 8 August 2022 until the date the funds were returned. She also told Lloyds to pay an additional £150 in compensation. She said Mr A should attend branch with ID to collect his funds, as per Lloyds' request.

Lloyds accepted the outcome, but said interest should be payable up to 19 May 2023, allowing Mr A one month to collect his funds, rather than an open-ended timeframe. Our investigator agreed and confirmed the updated position to Mr A, who accepted the outcome and asked for his account balance to be returned.

However, he later said he wanted the funds to be sent by cheque, saying he works from 8am to 7pm at his restaurant, from Monday to Saturday, that he is short-staffed and that his nearest branch always has a long queue. Our investigator didn't change her outcome, so Mr A asked for an Ombudsman to review the matter afresh.

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.

All banks in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. That sometimes means they need to restrict customers' accounts while they carry out a review.

And, having looked at the evidence, I'm satisfied Lloyds was acting in line with its legal and regulatory obligations when it blocked E's accounts. And that it was entitled to do so under the account terms and conditions that governed the relationship between Lloyds and E.

On completion of its review, Lloyds decided to close E's accounts and explained what Mr A would need to do to collect the balance. Lloyds does appear to have caused some confusion as it says Mr A was initially told to attend branch, only for him to be given incorrect information and be sent away.

I can see that caused E inconvenience as its director, Mr A, was diverted away from E's business. And I note Lloyds awarded £55 (£25 and £30) in compensation, but I think it should pay an additional £150 to compensate E for the inconvenience for delaying E from accessing its funds, plus simple interest on the account balance at a rate of 8% from 8 August 2022 (being the date Mr A complained) up to 19 May 2023, being one month after our investigator advised Mr A of her outcome. And I'm satisfied that gives Mr A sufficient time to attend branch.

However, I won't ask Lloyds to comply with Mr A's request to issue the account balance to him by cheque. Lloyds is entitled to ask its customers to identify themselves in these circumstances, to ensure it gives the money to the correct person. And I don't consider it unreasonable to ask Mr A to attend branch with identification to withdraw the account balance of over £15,000.

Mr A suggested that Lloyds should issue the balance by cheque because it was happy to issue the compensation payment by cheque. And has said he doesn't have time to attend branch as he works at E's restaurant all day, every day and can't get away. However, I can see there are 5 Lloyds branches within 5 miles of Mr A's address, and his closest branch is just 2 miles away.

Mr A managed to find the time to attend branch before, and while that was a wasted journey, this decision compensates E for that. And that previous visit, plus the amount of time Mr A has told our service he has spent in trying to resolve this matter and the fact that he has told our service his restaurant is not currently trading, contradicts Mr A's suggestion that he can't find time to attend branch.

And I'm not persuaded that the inconvenience it will cause E by having its director attend branch is so severe that it would justify a direction from our service that would oblige Lloyds to circumvent its security protocols. That Lloyds chose to send a low value cheque for compensation has no bearing on my outcome. There's a clear difference in risk between sending a cheque for £30, and authorising a payment of over £15,000. So, I don't find that Lloyds should apply the same criteria to both payments.

My final decision

My final decision is that Lloyds Bank PLC must pay E £150 plus simple interest on E's account balance at a rate of 8% from 8 August 2022 to 19 May 2023.

Under the rules of the Financial Ombudsman Service, I'm required to ask E to accept or reject my decision before 2 June 2023.

Alex Brooke-Smith
Ombudsman