

The complaint

Mr A complains that Lloyds Bank PLC blocked his personal bank account after it had been notified of a fraud claim from a third party. Mr A says that he's been unable to access the funds in his account after Lloyds Bank PLC decided to close his account.

What happened

Mr A received £500 from a third party who intended to purchase Mr A's business. The third party paid the funds into Mr A's personal account. When the third party asked for the funds to be returned Mr A didn't return the funds. The third party then contacted their own bank who advised Lloyds of a potential fraud claim. Lloyds then blocked Mr A's account while the matter was investigated.

Mr A complained to Lloyds that he'd paid funds into his account after the block had been added and that he had no access to these funds now. Mr A said this had caused him difficulties in paying his regular bills and that he'd spent a significant amount of time on the telephone trying to resolve the situation with Lloyds. Mr A told Lloyds that the third party would be withdrawing their claim, but this didn't happen.

Lloyds said the block on the account would remain until their investigation had been completed, or it had received confirmation the claim had been withdrawn. Whilst it accepted Mr A had spent some time on the telephone about this issue, Lloyds didn't think it was unreasonable in this case. Lloyds said that Mr A shouldn't have been allowed to pay funds into his account after it had been blocked. Lloyds said it had told Mr A he could visit the branch to withdraw the funds he'd paid in so that he could make other arrangements to pay his regular bills.

Subsequent to the complaint Mr A withdrew the amount Lloyds incorrectly allowed him to deposit, but Lloyds didn't allow him to withdraw the remaining balance in case it received any further fraud claims against him.

Mr A brought his complaint to the Financial Ombudsman Service and one of our Investigators looked into things. The Investigator thought that the actions taken by Lloyds weren't proportionate or reasonable and the remaining funds should be returned to Mr A, and that Lloyds should pay Mr A £300 for the trouble and upset caused. As both Mr A and Lloyds didn't agree with the Investigator the case has been passed to me to decide.

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.

It's accepted there's been a dispute between Mr A and a third party and both Mr A and Lloyds are fully aware of the details of this dispute. This is clearly a civil matter so I won't be commenting on the specifics of the dispute, but instead I will focus on whether or not the actions Lloyds took were reasonable in the circumstances of this case.

Lloyds has provided evidence to show that Mr A's personal account was blocked at the end of November 2022, after it received a notification that a payment made to Mr A was potentially fraudulent. I don't think it was unreasonable for Lloyds to place a block on the account while the matter was being investigated. Unfortunately, the day after the account was blocked, Lloyds allowed Mr A to pay into the account by removing the block in branch, and then re-applying the block. Lloyds accepts this shouldn't have happened. I think this is at the crux of Mr A's complaint as it started a chain of events that would likely not have been so troublesome to Mr A if Lloyds had followed its own processes.

After Lloyds accepted the deposit, Mr A spoke with Lloyds several times on the telephone and explained what had happened between him and the third party. Mr A explained he needed to pay some bills from his account. Although Lloyds told Mr A he could go back to the branch and withdrawal the funds he'd paid, Mr A said he was working, and this was difficult. Because of this, I'm satisfied the error Lloyds made in allowing Mr A to pay in funds after the block caused him some trouble and upset. I don't think this was particularly significant, but it could have been avoided if the Lloyds branch had not allowed the deposit to take place.

In its telephone calls with Mr A, Lloyds asked for evidence supporting what the disputed payment was for, such as legal paperwork, but Mr A didn't provide any documentation in this regard. In late December 2022, Mr A asked Lloyds to return the funds to the third party. Lloyds said it would do so if it received confirmation from the third party that they'd withdrawn the claim that the payment had been fraudulent. I've not seen any evidence to suggest the third party withdrew the claim. Lloyds completed its investigation in early January 2023 and had decided to give notice to Mr A that it would close the account – although I note that Mr A had also told Lloyds that he intended to close his account. I'm satisfied that Lloyds took into account that Mr A had alternative banking arrangements and provided Mr A with reasonable notice after it had made its decision.

Whilst the account was blocked, Lloyds told Mr A several times to make alternative arrangements to ensure any bills were paid and that he could go into branch to withdraw funds – but Mr A didn't do this until 23 January 2023. Lloyds says it didn't release the remaining funds to Mr A in case it received further fraud claims against him. I don't think this was proportionate. Even if the claim was proved to be fraudulent, it seems likely the amount Lloyds would be required to refund was £500 and not the full remaining balance on the account. In this regard I've decided that Lloyds should've offered to pay the full balance to Mr A when it closed the account.

Mr A says that Lloyds' actions caused him to make a late payment on a charge card and miss mortgage and utility bill payments. Unfortunately, I've not seen anything on the credit report Mr A has provided that persuades me this is what happened – and I've not seen any evidence of late payment charges Mr A says he incurred. So, whilst I think Mr A has been caused some trouble and upset, I don't think there is any financial loss to Mr A.

Putting things right

Lloyds shouldn't have unblocked Mr A's account to allow a deposit to be made and that it should've allowed Mr A to withdraw the remaining funds in his account more quickly than it did. So, I've decided that Lloyds should pay Mr A for the trouble and upset it has caused him in the circumstances of this complaint and think a payment of £300 is fair and reasonable in the circumstances of this complaint. I would also have asked Lloyds to arrange payment of the outstanding balance on Mr A's account – as suggested by the Investigator – but Mr A has confirmed that he has now received the full amount.

My final decision

For the reasons I've provided above, I've decided that Lloyds Bank PLC should pay Mr A the sum of £300 for the trouble and upset caused to Mr A.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 28 September 2023.

Paul Lawton
Ombudsman