

The complaint

Mr and Mrs P, together with other family members, are business partners in P. They complain on behalf of their partnership that Lloyds Bank Plc wrongly disclosed information about their business' finances to one of their employees, who I will call Ms E. They also complain that Lloyds delayed processing cheques they had issued.

What happened

Mr and Mrs P told us:

- Ms E was a senior employee in a business they owned. At the beginning of 2019 she was the sole signatory on an account used for the business' general running expenses. At their accountant's suggestion, they decided to open a new account for that purpose. Their intention was that Ms E would be able to continue paying the business' expenses as before, but Mr and Mrs P would also have access to the account.
- They opened a new account (which I will call the "additional account") with Lloyds in late 2019. Initially they were the only two signatories on the additional account. They then asked Lloyds to add Ms E as a signatory to that account only.
- They had an existing, longstanding account with Lloyds (which I will call the "main account"), and they did not intend to give Ms E access to that existing account.
- In 2021 they sold their business. Their agreement with the seller included a confidentiality clause, and they did not expect that Ms E would ever find out how much they had received from the sale.
- Shortly after the sale, they had a meeting with Ms E – and during that meeting it became clear that she knew the sale price. Her position was that she should be entitled to a considerable sum of money because, in her view, she had built the business single handedly. She felt that Mr and Mrs P were receiving life changing amounts of money as a result of her own hard work.
- Ms E eventually explained that the reason she knew the sale price was that she'd had access to their main account through Lloyds Internet Banking. They were shocked to discover that, and took steps to remove Ms E's access to all of their accounts.
- Shortly after meeting Ms E, Mr P phoned his local Lloyds branch to ask if there were any limits on transferring sums of money to other partners. The person he spoke to said they didn't know the limits on electronic transfers but knew that there were no limits on cheques. No further information was provided.
- Mr P made out three cheques to other partners, drawn on the main account, then went on holiday for four weeks. While he was away Lloyds returned all three cheques

and made a charge against the main account.

Lloyds told us:

- In November 2019 Mr and Mrs P instructed Lloyds to add Ms E as a “*full power signatory*” to the additional account only. The same form could have been used to add Ms E as a full power signatory to all of the partnership’s accounts, but they checked a box to confirm they “*wish[ed] the change to apply only to the sort code and account number listed above*” (which was the additional account).
- The form explained that “*if you apply for internet or telephone banking these signing instructions may no longer apply. For example, if you set a restriction of ‘any two’ to sign and you apply for internet banking, any one of the authorised users for internet banking will be able to carry out transactions online and the ‘any two’ restriction will not be applied*”.
- In February 2020 Ms E made an application for internet banking. That form was signed by Ms E only, and not by Mr or Mrs P (or by any of the other partners in their partnership. Ms E signed the application form to confirm she understood she would have “*online access to all the business/organisation’s accounts opened now or in the future and that any signing instructions set up on the account mandate will not apply to this online service*”.
- It correctly processed Ms E’s application for online banking (which she was able to make because she was a full power signatory to the additional account). That meant Ms E had full online access to both the main and the supplementary account.
- In respect of the cheques, it did not do anything wrong. The cheques were out of character for the partnership, and it considers it was right not to pay them when it was unable to contact Mr P.

One of our investigators looked at this complaint, but he did not uphold it. He said Lloyds had correctly processed Ms E’s application for online banking, and he thought it had treated the partnership fairly in respect of the cheques.

My provisional decision

I issued a provisional decision on this complaint on 23 August 2023. I said:

“I acknowledge that Mr and Mrs P have general concerns about Lloyds’ security measures, but I have only considered the individual complaint they have made. I am an ombudsman, not a regulator, and it is not appropriate for me to make general comments on the way Lloyds chooses to manage security.

Ms E’s access to the main business account

I think the problem here happened in 2019 (when Ms E became a full power signatory) rather than in 2020 (when she applied for online banking).

I accept that Lloyds handled Ms E’s online banking application in accordance with its normal procedures. By February 2020 she was a full power signatory to the partnership’s additional account, and that meant she was able to instruct Lloyds to give her online access to the partnership’s main account. But it is clear from Mr and Mrs P’s evidence that they only wanted Ms E to have access to the additional

account. I think that if Mr and Mrs P had realised the impact of making Ms E a full power signatory to the additional account, they would not have signed the November 2019 form. So, I need to consider what happened in November 2019.

I have not been able to establish exactly how Mr and Mrs P came to fill in the form that made Ms E a full power signatory to the additional account. They accept that they signed the form, but they don't have a clear recollection of doing so. They believe the form was provided to them by Lloyds, and they note that much of it – including the account number it was to relate to – was pre-populated by the bank.

Having reviewed all the evidence available to me, I am satisfied that Mr and Mrs P did not realise that in signing the November 2019 form they were enabling Ms E to give herself access to their main account. The form gave Ms E full power signatory rights to the additional account only. I acknowledge that the form went on to explain that existing signing instructions would not apply if internet banking was applied for at a later date, but I don't think Lloyds made clear to Mr and Mrs P that that was true of all the business' accounts and not just the additional account.

In other words, I don't think Lloyds made sufficiently clear to Mr and Mrs P that if they gave Ms E full power signatory rights to the additional account, she would then be able to use internet banking to give herself full access to the main account.

The cheques

I am sorry to further disappoint Mr and Mrs P, but I agree with our investigator about the cheques.

Mr and Mrs P haven't alleged that Lloyds told them anything that was untrue, only that it didn't tell them that it might take additional security measures and call them before allowing the cheques to go through. But even if Mr P had asked Lloyds if it was possible the payments could be delayed, I still wouldn't have expected Lloyds to give any of its customers a detailed explanation of all of the anti-fraud measures it takes. If that information were to get into the public domain it would be very useful to those seeking to do harm to both Lloyds and its customers.

The cheque payments represented funds due to other partners following the sale of the partnership's business, and I think it's unarguable that the payments were very unusual. Mr and Mrs P were abroad, Lloyds couldn't get in touch with them, and as a precautionary measure it declined to process very large cheques. I appreciate that in fact the cheques were legitimate, but I don't think it would be right for me to criticise Lloyds for its caution.

I know Mr and Mrs P objected to Lloyds' description of the situation as "*unfortunate*", but I think that description was fair. Overall, I don't think Lloyds did anything wrong with respect to the cheques.

I went on to explain why I thought a fair and reasonable resolution to the complaint would be for Lloyds to pay the partnership £500.

Mr and Mrs P accepted my overall conclusions, but they did not agree with every point I made. Mr P explained:

"On the issue of the cheques, I had informed the bank of my intention to transfer large sums to the partners. I asked for their advice on the most practical means and was informed that there was no limit on the amounts if I were to use cheques."

Furthermore, Lloyds did have details of my mobile telephone number and could have contacted me by that means. I did point this out to them after they stopped the cheques but initially they denied that they had this information. I then sent them documentation, which I had previously received from them, containing the mobile number. They did not comment on this correction."

Lloyds did not accept my overall conclusions. It said:

"In response to the Ombudsman's findings, I have said in my submission, and the Ombudsman has agreed, that the forms were completed correctly, it is the customer who has signed the mandate and not questioned the wording of the mandate they have signed which has led to the issues.

I appreciate that sight of both accounts has caused the customers distress however if they were adamant the party should never have access to one account, they should have double checked with the Bank before proceeding."

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.

Having done so, I have reached the same conclusions as I did in my provisional decision, for the same reasons. I now confirm those provisional conclusions as final.

I accept Lloyds' point that Mr and Mrs P signed the mandate form that made Ms E a full power signatory to their additional account. But I still don't think Lloyds did enough to make clear that a full power signatory to *any* of P's accounts could then give themselves internet access to *all* of those accounts. The form's explanation about signing rules was in relatively small print, but in any event the example given was that "two to sign" rules would no longer apply. The mandate form did not explicitly say that a person who had no rights at all to sign on a particular account would be able to use internet banking to give themselves rights to access that account. I don't think it matters whether that point was clear on the internet banking form, because Mr and Mrs P did not sign (or see) the form Ms E completed in February 2020.

In respect of the cheques, I think Mr P is right to say that Lloyds could have done more to get in touch with him. But I still don't feel able to criticise the bank for its caution, given how unusual the payments were.

Putting things right

Where I think a bank has made an error, my aim in awarding compensation is usually to put the complainants in the position they would be in if the error had not occurred. Where the bank has caused financial loss, that is relatively easy – I can simply order the bank to pay financial compensation. But here, there is nothing I or the bank can do to that would change Ms E's knowledge of the partners' finances.

In a case like this one, where there has been no financial loss but the bank's mistake has affected the complainants emotionally, it is open to me to make an award for distress. Further information on our approach to non-financial loss is available on our website at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience> .

I am satisfied that Mr and Mrs P did suffer distress. Mr P has explained that he and his wife had *“arranged our holiday [taken shortly after they discovered the issue] as an opportunity to relax and unwind after a lengthy and intense period involved in the complex aspects of the sale of the business. However [as a result of Lloyds’ errors] we were unable to avoid constantly reviewing matters”*.

Taking into account our guidance, and applying my own judgment, I consider that a payment of £500 is fair here. In my view, that amount fairly reflects the considerable distress Mr and Mrs P suffered when they discovered Ms E knew the amount they had received when they sold their business, despite the steps they had taken to keep their financial information private.

My final decision

My final decision is that I uphold this complaint. I order Lloyds Bank Plc to pay £500 to P to compensate the partners for the distress they suffered as a result of Ms E’s access to P’s main account.

Under the rules of the Financial Ombudsman Service, I’m required to ask P to accept or reject my decision before 22 September 2023.

Laura Colman
Ombudsman