

The complaint

Mr U complains that Lloyds Bank Plc unfairly blocked payments from his account, when he had enough in his account to cover it. He'd like further compensation and for the business to improve their communications.

What happened

The facts of this case are well known to both parties, so I'll only briefly mention them here. On 22 August 2022 Mr U found that he couldn't make transactions on his account. He contacted Lloyds, and was told he'd receive a call back, and that if he went to branch with ID he'd be able to use his account again. But this turned out not to be true. The block was removed on 3 September. Mr U complained, and Lloyds said that the block was a processing delay, and that they can't provide prior notice of this. But they apologised for giving him the wrong information and paid him £30 in compensation and £23 in call costs.

Mr U referred the complaint to our service, saying this didn't reflect the concern and worry it had caused him. Our investigator looked into things and thought Lloyds should do more. They said they couldn't conclude it was fair for Lloyds to block Mr U's account, and they accepted this would have caused Mr U more alarm than necessary. They asked Lloyds to pay 8% simple interest per annum on the balance held between 22 August and 3 September. They also suggested he receive an additional £100 compensation.

Lloyds accepted this as an outcome – but Mr U declined it saying he didn't believe it was sufficient compensation. He asked for a regulatory investigation, and said banks should not act as if their client's deposits were their own and give information as to what they do with other people's money. As no agreement could be reached the complaint 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.

I note Mr U has made points about wanting a regulatory investigation and made wider points about what banks should be doing when with their consumers' money. I should explain that our service isn't an industry regulator, although we do work with them in sharing insight. But the role of our service is to resolve individual complaints between financial businesses and their customers, based on the individual circumstances of each complaint. My role is to decide on what's a fair and reasonable way to resolve his specific complaint, rather than make any wider findings about how Lloyds communicate blocks and suspensions in general.

With that in mind, it's right to say that a bank can block an account in the course of meeting their legal and regulatory obligations. It isn't always going to be possible, or even wanted, to communicate this in advance. There also isn't currently any specific obligation on the bank to explain the block. There is provision for this in the terms of Mr U's account.

But Lloyds still have an obligation to treat Mr U fairly and reasonably. The key question for me is whether Lloyds were reasonable in blocking his account in the way they did. Having reviewed the evidence available, I'm not satisfied Lloyds have demonstrated that it was reasonable to block Mr U's account, or that it was a requirement of their legal and regulatory obligations. In the absence of a reasonable explanation for the block, I can only conclude that it was unfair to do so.

So, I've gone on to consider the impact on Mr U. He used this account quite regularly – although it also doesn't appear to have been used for receiving wages or making regular financial commitments such as utilities or housing costs. So, there don't seem to be any regular payments that would have been missed. This also suggests Mr U had access to banking facilities elsewhere. So, I'm minded there wouldn't have been an extensive impact from the block itself. But I can appreciate it would be frustrating to Mr U to not have access to his funds for two weeks. Lloyds have already accepted they misadvised Mr U about how to get the block removed, and that he'd be called back about it. This will have compounded the frustration he felt.

Overall, I'm satisfied that it's right Mr U receive compensation for this, more than the £30 Lloyds have already paid. I see an additional £100 as a reasonable amount of compensation. I'm satisfied that it's appropriate to ask Lloyds to pay 8% simple interest per annum on the balance held for the period of the block, to reflect his loss of use of these funds for this time. Lastly, Lloyds have paid Mr U £23 for his call costs, which I'm satisfied is fair.

My final decision

My final decision is that I uphold this complaint and direct Lloyds Bank Plc to:

- Pay Mr U 8% simple interest per annum on the balance of the blocked funds between 22 August 2022 and 3 September 2022.
- Pay him £100 compensation in addition to the £30 already paid.

If Lloyds consider that they should deduct tax on the interest award then they should provide Mr U with a certificate showing how much was deducted so he can reclaim this from HMRC, if he is eligible.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 8 December 2023.

Thom Bennett
Ombudsman