

The complaint

Mr M complains that Lloyds Bank PLC blocked his account. He wasn't given notice or a reason for the block.

What happened

The detailed background of this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr M has an account with Lloyds. Following a transaction on his account Lloyds blocked the account. Mr M realised the account was blocked when he was unable to use the account on 17 February 2023.

Mr M spoke to Lloyds. Lloyds requested that Mr M confirm if the transaction that had flagged was a genuine transaction. Mr M was unhappy with the questions and the tone. He wanted to know what he had done wrong and why his account was blocked. Mr M didn't confirm whether the payment was genuine, so the account continued to be blocked for online transactions.

Mr M complained to Lloyds – they said they had not made an error as all payments were subject to review and Mr M hadn't confirmed the transaction was genuine.

Mr M complained to our service one of our investigators looked into the complaint. he said Lloyds hadn't done anything wrong when they blocked the account and asked Mr M for information regarding the genuineness of the payment. So, he wouldn't uphold the complaint. He said Lloyds weren't obliged to give him reasons for their review or information about what triggered the review.

Mr M was unhappy with the view he said the view was unfair as it only considered Lloyds terms and conditions, and these were biased in Lloyds favour. He thought our organisation was not impartial and we are a mouthpiece for the banks.

Mr M said that Lloyds didn't have proof of any crime, but they had still flagged him as suspicious. Mr M has said Lloyds are trying to manipulate him. Mr M reiterated that he had done nothing wrong, and he was still being punished. He said he would not be confirming anything to Lloyds.

The investigator replied. He said that he had not only taken into account the terms and conditions of the account but also looked at the circumstances of the case and whether Lloyds had applied the terms and conditions fairly, so he disagreed that we can only consider the terms and conditions. He said he had seen no evidence that Lloyds had flagged Mr M as suspicious. He explained all financial businesses monitor accounts to protect their customers from financial crime and fraud. Our investigator explained he couldn't disclose information relating to Lloyds' security systems or confirm the exact reasons for the block.

As there was no agreement the matter has come 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'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

While I may not comment on everything raised, I've thoroughly read and considered all the evidence and arguments from both sides. My outcome focuses on the relevant key issues, and on what I consider fair and reasonable in all the circumstances of the case.

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything that Mr M and Lloyds have said before reaching my decision.

Mr M has disagreed with the conclusions reached by the investigator – he says we are being unfair and have sided with the business. The Financial Ombudsman service was set up by act of parliament as an informal and free alternative to courts. We are a dispute resolution service, and our remit is to decide cases on a fair and reasonable basis taking account of the law and regulations, codes and good practice.

Whilst I do recognise his concern, as an ombudsman service our approach is to consider what both parties say and then reach our own independent conclusions on that evidence. This is how the investigator proceeded and this is how I intend to proceed in reaching my decision. I appreciate that it is in the nature of our service and of dispute resolution that one party will be disappointed with the outcome that is reached. However, this doesn't mean that the process is flawed, or the service is biased, as I have explained we are an evidence led service and we look at the information both parties provide before reaching a fair and reasonable outcome.

Account review

Lloyds has extensive legal and regulatory responsibilities they must meet when providing account services to customers. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime. To fulfil these obligations, they may need to review activity taking place on accounts and ask customers for information, for example about payments, and information about the individuals operating the accounts – it's the bank's duty to reasonably ensure accounts are being used in the way they should and to protect the money which is held in them. In order to fulfil these obligations, banks sometimes block an account. The account terms and conditions also permit Lloyds to block an account and ask a customer for more information.

Based on all the evidence I've seen I'm satisfied that Lloyds were acting in line with these obligations and the account terms when it blocked Mr M's account and asked him to provide information about the payments

One of Mr M's transactions was flagged for review, looking at the statements on file I can see that the payment was out of character for the way he used his account. So, the bank asked him to provide information about the genuineness of the transaction.

Mr M objected to the questions and considered that he was being flagged as suspicious when as he said, they didn't have evidence of any crime. I know that Mr M has said he was being flagged as suspicious, but Lloyds told him that he hadn't done anything wrong. Mr M assumes that therefore Lloyds isn't entitled to review the payment and ask questions, but that isn't the case. Lloyds are responsible for preventing crime not just perpetrated by an account holder but also perpetrated against an account holder. That is why Lloyds asked Mr M to confirm that the payment was genuine in order to make sure Mr M hadn't fallen victim to a fraud on his account.

I've thought carefully about Mr M's comments about why he isn't willing or able to provide the information about the genuineness of the transactions. And I appreciate Mr M is upset and continues to be unhappy being asked by Lloyds to follow this process, and still being unable to use his account fully. But having looked at all the circumstances of this complaint, I don't think Lloyds was acting unreasonably when it asked Mr M to complete this process. There is a requirement for Lloyds to protect its customers' accounts from fraud and keep their money safe. With that in mind, I consider it fair for Lloyds to ask Mr M to confirm the genuineness of the transactions it was concerned about.

I can see that in blocking the payment and the account and asking Mr M questions regarding the genuineness of the payment Lloyds were carrying out a legitimate exercise in order to comply with their legal and regulatory obligations. So, I won't be asking them to do anything further.

Reason

I understand that Mr M wants Lloyds to explain the reason it applied the block to his account and provide him with the information it relied on to do so. But Lloyds doesn't disclose to its customers what triggers a review of their accounts. And it's under no obligation to tell Mr M the reasons behind the account block, as much as he'd like to know. So, I can't say it's done anything wrong by not giving Mr M this information. And it wouldn't be appropriate for me to require it to do so. Having said that I have listened to the call on 17 February 2023 between Mr M and the member of Lloyds team— Mr M was told the payments had flagged as part of a random test. So, I think Mr M was given some indication of the reasons for the block and the request for information. I appreciate Mr M said that he was also having issues with other financial institutions, but this isn't something that Lloyds is responsible for.

I appreciate Mr M finds it inconvenient that he can't use online banking because of the account block but as I've said I can't see that Lloyds have acted unfairly in requesting information from Mr M and restricting the account whilst they are waiting for it to be provided. And Mr M hadn't supplied the information it had specifically requested. As I've said above Lloyds are obliged under regulation to carry out ongoing checks to protect accounts from identify theft, fraud, and financial crime. So, if they don't receive the necessary information that they request to allay those risks, I do not consider blocking the account is a disproportionate measure for Lloyds to take.

I accept that Mr M has said that he will never give this information to Lloyds. That is his decision which he is free to make, but I can't conclude that Lloyds have acted unfairly in requesting the information they did.

Mr M has said that Lloyds do not communicate with their customers when an account is blocked and that this could result in bills not getting paid and bailiffs turning up. I accept this is Mr M's opinion of what might happen in general. However, I can only consider what has happened in his case. I am aware that in his case the account was blocked on the 17 February 2023, and he spoke to Lloyds on the same day. So, in his case there was no delay in finding out that his account was blocked.

He has also said that Lloyds should have contacted him and approached him in a working relationship manner if they wanted to carry out a review of his account, instead of acting in a highly provoking manner. I am sorry that Mr M feels that Lloyds actions were highly provoking but as I have explained the bank was trying to safeguard his account when it blocked the payment, so I can't say that they have done anything wrong here.

In summary, I know Mr M will be disappointed with my decision but having looked at the evidence I can't say that Lloyds acted unfairly when they reviewed and blocked Mr M's account and asked him to confirm the legitimacy of a transaction.

My final decision

For the reasons stated above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 28 June 2024.

Esperanza Fuentes
Ombudsman