

The complaint

Mr M, a sole trader, is unhappy that Lloyds Bank PLC restricted his access to his accounts which meant that he couldn't trade.

What happened

On 19 January 2022, Mr M noticed that he was unable to access his Lloyds accounts. Mr M spoke with Lloyds about this and was told he'd missed payments on his Bounce Back Loan ("BBL") which meant the BBL account was in arrears. Mr M denied that he had missed any payments or that there were any arrears on his BBL and asked the bank to restore his access to his accounts. And, when Lloyds didn't then do this, Mr M raised a complaint.

Lloyds responded to Mr M and confirmed that his BBL shouldn't have been transferred to their recoveries team and that as such Mr M's access to his other Lloyds accounts shouldn't have been restricted. Lloyds apologised to Mr M for what had happened and made a payment of £1,250 to him as compensation for any trouble and upset he may have incurred.

Lloyds also said they'd consider reimbursing Mr M for any losses he could evidence that he'd incurred because of Lloyds blocking his access to his accounts. However, Lloyds explained that they were unable to return Mr M's account from their collections department, even in acknowledgement of their mistake, and that Mr M would need to apply for new Lloyds accounts if he wanted to continue availing of Lloyds banking services. Mr M wasn't satisfied with Lloyds' response, so he referred his complaint to this service.

One of our investigators looked at this complaint. They felt the response Lloyds issued to the complaint – including the apology and the payment of £1,250 compensation – already represented a fair resolution to what had happened, and they didn't feel that Mr M had been able to provide tangible proof of any losses he claimed to have incurred such that Lloyds should fairly be instructed to reimburse them. Mr M remained dissatisfied, so the matter was escalated to an ombudsman for a final decision.

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 issued a provisional decision on this complaint on 5 July 2023 as follows:

In their response to Mr M's complaint, Lloyds acknowledged that Mr M's BBL account shouldn't have been sent to their recoveries department and that therefore Mr M's access to his other Lloyds' accounts shouldn't have been restricted. And I accept Mr M's position that because he is a solicitor, he was effectively prevented from trading while he didn't have access to his Lloyds' accounts, especially the business' client account, as per the Solicitors Regulation Authority ("SRA") account rules.

Lloyds have said they'd be willing to reimburse any losses Mr M was able to evidence he'd incurred because of his being unable to trade. But given that Mr M was practically unable to

act or trade because of Lloyds' error, I don't feel that Lloyds' insistence on evidence of losses is fair in this instance.

This is because as a solicitor, Mr M needs access to his client money account to be able to conduct business – as per the SRA account rules. So, I can understand why Mr M felt it necessary to close his business premises while he was unable to access his Lloyds accounts, given that without access to those accounts he felt that he was unable to operate within the rules of his profession. And as such I feel it would be unreasonable to expect Mr M to be able to evidence a loss of business from potential new customers who couldn't physically enter his business premises and engage with him.

Mr M has provided his business accounts for the years ending 2020, 2021, and 2022. It's notable that for the two trading years prior to the events in question, Mr M had sales of approximately £63,000. However, for the 2022 trading year, Mr M's total sales dropped to £47,275. This is almost exactly 75% of the annual sales from the previous two years, and so I feel it's commensurate with what would be expected if Mr M hadn't been able to trade for roughly a quarter of that trading year – as was the case.

As such, I feel that it's likely that Mr M did lose £15,725 – the difference between £63,000 and £47,275 – because of Lloyds' blocking his access to his accounts, and so my provisional decision here will be that I'll be upholding this complaint in Mr M's favour and instructing Lloyds to make a payment of £15,725 to him, along with 8% simple interest calculated from the date Lloyds blocked Mr M's account access to the date of the payment to Mr M.

However, I won't be provisionally instructing Lloyds to pay any further compensation to Mr M as I understand he would like. This is because I feel that the £1,250 compensation that Lloyds have already paid is fair in consideration of the upset and trouble that Mr M has incurred because of not being able to access his accounts – including his feeling compelled to open new accounts with another provider – and I can confirm that it's commensurate with what I might have instructed Lloyds to pay here, had they not already done so.

I'm aware that Mr M feels that Lloyds' actions have exacerbated the health issues he suffers with. But I don't feel that it can reasonably be said that Lloyds' actions must be the sole reason for Mr M's health issues worsening, and I feel that the compensation paid by Lloyds already fairly takes any potential impact of Lloyds' actions on Mr M's health into account. All of which means that my provisional decision here is that I uphold this complaint in Mr M's favour and that Lloyds must make a payment to Mr M of £15,725 plus 8% simple interest.

Both Mr M and Lloyds responded to my initial provisional decision, and this led me to issue a second provisional decision, on 7 September 2023, as follows:

Lloyds didn't agree with my provisional decision and felt that my assessment of Mr M's business losses was speculative and unquantifiable. However, I'm satisfied that I addressed this point in my provisional decision letter, in which I explained that the nature of the losses, arising as they did because of Mr M being unable to trade, meant that I felt it wasn't fair to expect Mr M to be able to demonstrate his losses in the way that Lloyds were insisting upon. And I also provided my reasoning whereby I quantified the losses Mr M had incurred by reference to his annual accounts for the past three years.

Lloyds also noted that Mr M provides a wide variety of services and felt that several of these services didn't require Mr M to hold client money. Lloyds therefore questioned why Mr M couldn't have continued to trade but only provide services that didn't require him to hold client money so that he wasn't in breach of SRA rules.

But it remains the case that all of Mr M's business accounts were unfairly restricted by Lloyds at that time, meaning that he wouldn't have been able to receive payment for any service offered. Additionally, Lloyds position here appears to assume that Mr M undertook the work that did entail the holding of client money in roughly equal measure with work that didn't, so that it remained feasible for Mr M to continue trading in the absence of being able to accept work that entailed the receipt of client money.

In consideration of this point, I asked Mr M about the nature of his trading, and he explained that most of his work, roughly 90%, does involve the need for a client money account. And I feel that the fact that Mr M felt the need to close his business premises and not trade in the absence of his being able to access his business accounts supports this position – that access to a client money account was of considerable importance to him.

Lloyds also felt that the Covid Stamp Duty holiday that was in place in 2021 meant that Mr M might have had unusually good business that year as a one-off that couldn't reasonably be repeated, and that other Covid restrictions that remained in place in 2022 may have also contributed to reduced business income in that year.

But as previously explained, Mr M provided his business accounts for the years ending 2020, 2021, and 2022. And despite the impact of Covid-19 during this period, his income for 2020 and 2021 were very similar, with only his income for 2022 – the year Lloyds unfairly restricted his accounts for three months – showing a decrease in income of about 25%. And I feel that a 25% reduction of business income is compatible with what would be expected, given that Mr M hadn't been able to trade to 25% of that year because of Lloyds' actions.

However, upon review, there is an aspect of Mr M's trading accounts which I don't feel I fairly took account of in my prior provisional decision letter. This relates to the paralegal costs that Mr M incurred – and specifically to the paralegal costs which he didn't incur because he wasn't trading for three months.

As a result, my position on this complaint has now changed, and while I still consider £15,725 to be the starting point of Mr M's losses – as previously described – I now feel that it's fair to deduct £1,605 from that amount, reducing the loss amount to £14,120.

This is because Mr M's accounts for 2022 include paralegal costs of £4,820. But if Mr M didn't trade for three months, then he didn't incur paralegal costs for those three months. And on a pro-rata basis, the paralegal costs that Mr M didn't incur, but would have incurred had he been able to trade, amount to £1,605. And I feel that this amount should fairly be offset against Mr M's losses, given that he effectively benefited by not having to incur those paralegal costs while he wasn't able to trade.

Finally, Lloyds also argued that Mr M could reasonably have mitigated his losses by opening business accounts with another provider. Notably, Mr M did do this, after trying to resolve the situation with Lloyds first. But upon consideration, while I accept that Mr M would want to try to resolve matters with Lloyds in the first instance, I'm not convinced it was reasonable for him to wait three months before acting to open new accounts with another provider. And I feel Mr M reasonably could and should have acted sooner to open new business accounts and to have mitigated against the losses that he incurred because he was unable to trade.

Accordingly, I don't feel that Mr M did reasonably mitigate against the losses that he incurred here, and because of this I don't feel that it's fair to hold Lloyds to solely accountable for those losses as I previously had.

I've thought about this point at length, and I feel that Mr M should reasonably have acted to open new business accounts with another provider within a month and a half of his access to his Lloyds accounts being restricted – given the importance of those account to his business.

And because of this, I feel that Mr M himself should fairly be considered accountable for the second half of the three-month period he was unable to trade – because he didn't take reasonable action to mitigate against the ongoing losses he was incurring.

This means that my updated provisional decision here is that I feel that Lloyds should make a payment to Mr M of 50% of his £14,120 losses – which equates to £7,060 – along with 8% interest on that amount.

Mr M also responded to my provisional decision and explained that he felt Lloyds should be instructed to pay additional compensation beyond the £1,250 they'd already paid to him for the impact of what happened on his health and wellbeing. And Mr M noted that he felt that if he made a legal claim against Lloyds, he would receive a higher compensation award.

I can appreciate Mr M's strength of feeling on this matter. But this service isn't a Court of Law and doesn't operate as such. And, while I acknowledge that matters of compensation can be subjective, I continue to feel that the £1,250 that Lloyds have already paid to him is a fair compensation amount for the trouble and distress that he's experienced.

In taking this position, I've considered the impact of what happened on Mr M, as he's explained it to this service. But I've also considered the compensation and apology that Lloyds have already issued to Mr M, as well as the general framework which this service uses when assessing compensation amounts for trouble and distress – details of which are available on this service's website. And having taken all these factors into account, I feel that £1,250 is a fair amount, and so I won't be instructing Lloyds to pay any more.

All of which means that my updated provisional decision here is that I uphold this complaint in Mr M's favour and instruct Lloyds to make a payment of £7,060 to Mr M, along with 8% simple interest on that amount, calculated from the date Lloyds blocked Mr M's account access to the date of payment.

Again, both Mr M and Lloyds responded to my second provisional decision. And this led me to issue a third provisional decision on 14 November 2023 as follows:

Lloyds raised several arguments as to why they still felt my provisional instruction to Mr M was unfair. In the interests of brevity, I won't go into each of Lloyds' arguments in detail here but will only say that I've considered each argument and that I don't consider any of them to be persuasive.

Mr M also responded to my second provisional decision and explained that he had in fact attempted to open new business accounts after approximately five and a half weeks, but that the process of opening new accounts was complicated by the position of his Lloyds accounts, about which the new bank to which he'd applied wanted further information.

And Mr M has provided evidence to this service which I'm satisfied does confirm that he did act to open new business accounts with an alternative provider much sooner than I believed was the case previously, such that I'm now satisfied that the reason I reduced the award of losses to Mr M in my second provisional decision no longer applies.

Mr M also argued that my removing of his paralegal costs on a pro-rata basis was also unmerited. But I disagree with Mr M on this point, and I continue to feel that if Mr M was unable to trade, there was no viable reason for him to incur this cost.

As such, my amended provisional decision is that Lloyds must make a payment to Mr M equivalent to the calculated losses of £15,725 minus the pro-rate paralegal costs of £1,605.

This results in a payment of £14,120. And it also remains my position, as per my prior provisional decision letters, that no further payment beyond this is fairly required of Lloyds.

Mr M responded to this latest provisional decision and confirmed that he was happy to accept it. Lloyds also responded to my provisional decision and explained that they had offered to open new accounts for Mr M which they could in all probability have opened sooner than Mr M was able to open new accounts with a different bank. Lloyds therefore felt that because of this, they shouldn't be held accountable for the delay in Mr M experienced in opening new accounts with another bank.

But it's clear from Lloyds' notes on this matter, as well as from Mr M's correspondence to this service, that Mr M had lost confidence and faith in Lloyds because of the significant and impactful error that they'd made here, as well as Lloyds inability to fairly rectify Mr M's position. As such, I feel it was reasonable that if Mr M was forced to open new business accounts because of Lloyds' mistakes, that he would seek to open those new accounts with a bank other than Lloyds.

Ultimately, Lloyds shouldn't have restricted Mr M's business accounts with them in the manner that they did. And I feel that Mr M has incurred losses because of Lloyds mistakes that Lloyds should fairly reimburse to him – as I've described above.

All of which means that my final decision here is that I uphold this complaint in Mr M's favour on the basis explained in my most recent provisional decision.

Putting things right

Lloyds must make a payment to Mr M of £14,120 along with 8% simple interest on that amount, calculated from the date Lloyds blocked Mr M's account access to the date of the payment.

My final decision

My final decision is that I uphold this complaint against Lloyds Bank PLC on the basis explained above.

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

Paul Cooper
Ombudsman