

The complaint

Mr G complains about Lloyds Bank PLC's ('Lloyds') actions in relation to a payment he attempted to make.

What happened

On 17 January 2023, Mr G attempted to make a bank transfer of £200. Lloyds blocked the payment and Mr G's account and online banking, as they were concerned that Mr G was making the payment as the result of a scam.

Mr G called Lloyds to query the block on his account and Lloyds asked Mr G a series of questions regarding the payment he was attempting to make. Based on the answers Mr G gave, Lloyds had concerns that Mr G was the victim of a scam and told Mr G that he had to visit a branch with identification.

Mr G went into a Lloyds branch with his identification and a staff member called the Lloyds fraud team to discuss the payment. After 30 minutes the issue hadn't been resolved, which Mr G says was because the staff member called the wrong phone number. Before it could be resolved, Mr G had to leave the branch as his car parking ticket was expiring. Mr G offered to leave his identification with the branch staff so they could arrange for the block to be lifted – saying they could post it back to him. The staff didn't want to hold onto Mr G's identification and gave it back to him.

The following day the blocks hadn't been removed. As a result, Mr G had numerous calls with Lloyds, trying to get the blocks lifted from his account. His branch visit wasn't noted on his records and in each call Mr G was told that he had to go into a Lloyds branch with identification to get the blocks lifted. During these calls Mr G explained to staff that he had visited a branch.

Lloyds believed Mr G was the victim of a scam, and wanted to invoke the banking protocol and have the police discuss the matter with Mr G. When Mr G had gone into the branch, they had invoked the banking protocol, but the police were unable to attend the branch before Mr G had left. So, the blocks had remained in place.

On 14 February 2023, Lloyds arranged for the police to visit Mr G's home address as they were unable to arrange for the police to talk to Mr G in the branch.

Ultimately, the police confirmed to Lloyds that they had talked to Mr G and Lloyds removed the blocks from Mr G's account on 17 March 2023. However, Lloyds didn't notify Mr G that the blocks were removed until they issued their final response letter on 29 March 2023.

Mr G raised a complaint with Lloyds about the level of customer service he'd received and how they'd handled the situation. Lloyds paid Mr G £150, saying they should've acted more promptly in unblocking his account. However, Lloyds felt they'd acted appropriately in the circumstances by getting the police involved.

Mr G wasn't happy with Lloyds' response, so he brought a complaint to our service.

An investigator looked into Mr G's complaint and didn't uphold it. They felt Lloyds had acted reasonably in adding the blocks, saying Lloyds had been trying to protect Mr G. The investigator felt the £150 already paid by Lloyds was fair compensation.

Mr G disagreed with the investigator's opinion, saying:

- Lloyds had told him they wouldn't apply overdraft interest and charges, but they did.
- He was charged £120 in overdraft charges, which means only £30 of the £150 paid was for his inconvenience – which isn't acceptable.
- The branch manager told him not to accept the £150 offered by Lloyds, which he believes is so Lloyds could charge him more.
- If Lloyds were so concerned about him falling victim to a scam, why weren't they interested in all the information he had gathered about the scammers over the previous two years.

As the case couldn't be resolved informally, it was passed to me to review.

Having reviewed the case, I intended to recommend a different redress than the investigator, so I issued a provisional decision and asked for both parties to provide any further evidence before I issue a final decision.

My provisional decision

In my provisional decision I said:

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

There is an obligation on Lloyds to be on the lookout for, and to protect its customers from, potentially falling victim to fraud or scams. This includes monitoring accounts and identifying suspicious activity that appears out of character. In situations where potential fraud is identified, I would expect Lloyds to intervene and attempt to prevent losses for the customer.

In this case, Lloyds identified a potential scam risk for the £200 payment that Mr G was attempting to make to a cryptocurrency exchange. By 2023, Lloyds would've been aware of cryptocurrency scams and the hallmarks that suggest a customer might be the victim of one. Based on the information they had I can't say they acted unreasonably in identifying a scam risk, and having identified the risk, by blocking Mr G's account to prevent any further payments being made (potentially to the scammer) until they had discussed the payment with Mr G and were satisfied he wasn't at risk.

When Mr G initially called Lloyds following the blocks being added, Lloyds asked numerous questions about the payment Mr G was making. Based on his answers, Lloyds were satisfied that Mr G was making the payment as part of a scam and that there was a risk Mr G would make another payment if they lifted the blocks on his account. In response, they asked Mr G to attend a branch with identification, so they could initiate the banking protocol. This would involve police attending the branch to discuss the matter with Mr G, to prevent Mr G suffering a loss.

Unfortunately, the police were unable to attend when Mr G visited the branch, which was outside of Lloyds' control. Lloyds didn't want Mr G to know they wanted him to speak to the police, as there was a concern that he may start using an account with another bank to make the payments. Scammers can be very convincing and persuasive, but a discussion

with the police is more likely to break the spell the scammer may've had on Mr G when Lloyds staff had been unable to do so. I appreciate that this caused Mr G huge frustration as every time he called Lloyds to try and get his account unblocked, he was told to go into a branch with identification – which he had already done.

Ultimately, Lloyds arranged for the police to visit Mr G's home to discuss the matter with him. I think Lloyds could've taken this action sooner, rather than waiting nearly a month, during which time Mr G was unable to make payments from his account and was getting more and more frustrated with what he perceived as incompetence by Lloyds staff. Also, Lloyds delayed in telling Mr G that the blocks on his account had been removed. On that basis, I think Lloyds have caused Mr G unnecessary upset and inconvenience and I intend to ask Lloyds to increase the compensation payment to £200. I haven't awarded a higher amount as Lloyds were trying to protect Mr G and I don't think they acted unreasonably in taking action to invoke the banking protocol. And, while I understand why Mr G felt he shouldn't have to, he could've gone back into a branch which may've resulted in the banking protocol being invoked sooner. Also, Mr G opened an account with another bank, so he had an account that he could use during the time his Lloyds account was blocked – although I appreciate this was an additional inconvenience. So, I intend to ask Lloyds to pay another £50 compensation, as the £150 has already been paid to Mr G's account.

Mr G has raised a concern about the overdraft interest and charges which have accrued since the block was placed on his account. Mr G says Lloyds told him he wouldn't be charged. But, having listened to the calls Mr G had with Lloyds, I can't agree that he was told that. Mr G was told that if he was charged, he could contact Lloyds and they would "see what they could do" about the charges.

However, Mr G made it very clear on all of his calls with Lloyds that he believed he was unable to make deposits to his account while the blocks were in place. Lloyds have told us that while the blocks prevented Mr G from using his internet banking and transferring funds out of his account, Mr G could still deposit money into his account. I can't see that Mr G was told this at any point during his calls with Lloyds. If Lloyds had told Mr G that he could make a deposit, I think it's more likely than not he would've, which would've prevented the overdraft interest and charges that he incurred.

From what I've seen, Mr G wasn't made aware that the blocks on his account had been lifted until Lloyds issued their final response on 29 March 2023. It's unclear when Mr G received that letter, however I can see that he made a deposit into his account on 12 April 2023 – at which point he must've been aware he could deposit funds. On that basis, I think it's fair for Lloyds to refund the overdraft interest and charges applied to Mr G's account from 17 January 2023 until 12 April 2023.

Mr G says a branch manager told him not to accept the £150 that Lloyds offered, so Lloyds could apply more charges to his account. However, Lloyds paid the £150 into Mr G's account on 29 March 2023, so his overdrawn balance was reduced by that amount – reducing the interest that he was charged. So, Mr G not accepting the £150 compensation, didn't negatively impact on his account or the interest charged.

Also, on 12 April 2023, Mr G deposited money into his Lloyds account. At that point Mr G could've cleared his overdraft, which would've prevented any further overdraft interest and charges – but he chose not to. This means I can't fairly ask Lloyds to refund any of the interest and charges applied to his account after 12 April 2023.

Mr G feels that Lloyds should've been interested in the information that he had gathered from the scammers, who it appears he had been communicating with for a significant period

of time. However, this information is best placed with Action Fraud or the police, who are the appropriate organisations to look at or consider a criminal investigation.

In summary, I think Lloyds could've reduced the distress and inconvenience Mr G experienced and should pay him an additional £50 compensation. I think Lloyds failed to make it clear to Mr G that he could deposit funds into his account while the blocks were in place, therefore he wasn't aware he could prevent the interest and overdraft charges. So, I intend to ask Lloyds to refund the overdraft interest and charges applied to Mr G's account between 17 January 2023 and 12 April 2023.

My provisional decision was that I intended to uphold this complaint.

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.

Lloyds responded to the provisional decision saying they accepted the recommendation.

However, Mr G disagreed with the recommendation, raising a number of points including:

- He has tried to resolve this directly with Lloyds since September and feels they haven't responded, so they can add additional interest and fees to his account each month.
- He doesn't want to clear his overdraft as he believes if he does, Lloyds will close his account and ignore any further correspondence.
- He wasn't making a payment to a cryptocurrency exchange, he was making a payment to a genuine party, and the funds wouldn't have transferred on to the scammer until an account was set up in his name and funded by the scammer with the same amount of £200.
- If Lloyds were interested in trying to prevent fraud, they would've asked for the documentation he'd gathered in relation to the scammers.

I'm aware that I haven't itemised each individual point that Mr G made, and I'd like to assure him that I have considered them all. But I've focused on the points that get to the crux of the complaint and the answer I've reached.

I appreciate that Mr G is unhappy this matter has dragged on for so long. However, where Lloyds can't resolve a matter to a customer's satisfaction, I would expect them to advise the customer of their right to bring a complaint to our service – so we can try and mediate a resolution between both parties. Lloyds did this in May 2023, and as a result Mr G brought a complaint to our service. While the case has been with our service, Lloyds haven't continued to try to resolve the matter with Mr G as they were awaiting our adjudication on the matter as to what is a fair outcome. So, I can't fairly say they've done anything wrong.

Mr G feels that Lloyds delayed so that they could add additional interest and charges to his account. But Mr G could've repaid his overdraft back in April 2023, which would've prevented any further interest and charges being added to his account. Mr G also has concerns that if he clears his overdraft, Lloyds will close his account. But, if Lloyds do close his account, Mr G is entitled to raise a complaint if he feels they've breached the terms and conditions of his account or acted unfairly in taking that action.

Mr G says he has been dealing with these scammers for a significant period of time, so he can gather evidence in order to help any potential police investigation to stop their activity.

As part of this, Mr G had agreed to send funds to the scammer but only if they agreed to also pay in their own funds for the same amount. Mr G says he wouldn't have released the £200 until they had paid in their own £200 which he could access. So, he wouldn't have suffered a loss and therefore Lloyds acted unreasonably in blocking his payment and restricting his account.

But I'm not satisfied that Lloyds acted unreasonably in taking the action they did, nor would I have expected them to allow Mr G to make payments in any situation where they believe that he was likely the victim of a scam or was at risk of losing his money. So, I'm not satisfied that Lloyds acted unreasonably in blocking Mr G's payment and his account and invoking the Banking Protocol.

Mr G is very unhappy that neither Lloyds nor the Police have been interested in the information he has gathered about the scammers. However, Lloyds aren't the appropriate body to investigate criminal activity and I wouldn't expect them to take any further action in this regard. I can't comment on any actions or decisions made by the Police as it's outside the remit of this service and outside Mr G's complaint, which is about the actions Lloyds have taken.

Mr G has raised concerns about what he considers to be other inaccuracies in the provisional decision, however these are points where he disagrees with the evidence Lloyds have provided. Even if I agreed with each of the points that Mr G disagrees with, it wouldn't change the overall outcome I've reached or the recommendation that I'm making.

Having carefully considered all of the points that Mr G has raised, I agree that Lloyds should've asked the Police to complete a home visit sooner when it was clear they couldn't attend the branch when Mr G was present. This is likely to have resulted in the blocks being removed from Mr G's account sooner. Also, Lloyds should've notified Mr G promptly when the blocks on his account had been removed. This has caused Mr G unnecessary distress and inconvenience as it resulted in him calling Lloyds on multiple occasions and attending Lloyds branches. Considering the overall impact on Mr G, I'm persuaded that Lloyds should pay Mr G £200 in compensation. Lloyds has already credited Mr G's account with £150 compensation, so if they haven't already done so they should pay Mr G an additional £50.

I appreciate that Mr G would like a higher level of compensation but the awards our service makes are modest, and we don't penalise or fine banks when something has gone wrong. Also, I can't ask Lloyds to pay compensation for taking what I consider to be appropriate steps when they identified a potential scam risk in blocking Mr G's account and invoking the Banking Protocol.

Overall, I'm not satisfied that I can fairly ask Lloyds to refund any overdraft interest and charges other than for the period of 17 January 2023 to 12 April 2023. I appreciate that Mr G may not have had the funds available to repay his overdraft in full in April 2023, however that doesn't mean that I can fairly ask Lloyds to refund any additional charges as Mr G still had direct debits leaving his account which were increasing his overdrawn balance.

I'm sorry to disappoint Mr G, but I've reached the same overall outcome and recommendation as I reached in my provisional decision.

Putting things right

To put things right Lloyds Bank PLC should:

- Pay Mr G an additional £50 compensation (if they haven't already done so).

- Refund all overdraft interest and charges applied to Mr G's account between 17 January 2023 and 12 April 2023.

My final decision

My final decision is that I uphold this complaint against Lloyds Bank PLC and require them to compensate Mr G, as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 18 March 2024.

Lisa Lowe
Ombudsman