

The complaint

Mr A and Mrs A complain Lloyds Bank PLC (“Lloyds”) have not completed a sufficient investigation into how fraud was able to take place on their account. They are also unhappy their account was blocked while they were abroad, and the distress and inconvenience caused as a result.

What happened

Mr A and Mrs A say they reported fraud on their joint account and Mr A’s card was blocked as a result, but further fraud transactions continued. After reporting this again, Mr A and Mrs A discovered their account had also been blocked and they were unable to make any payments or withdrawals. And as this was their main banking account, this caused a great deal of inconvenience. Mr A and Mrs A also complain that they were never informed their account would be blocked and as they were abroad at the time, they were not able to visit a branch with their ID as requested. Mr A and Mrs A would like significant compensation for the distress and inconvenience this situation has caused.

Mr A and Mrs A have also complained that Lloyds hasn’t conducted a substantial investigation into how the fraudster passed their account security and why the voice recognition feature was not used when the fraudster called in.

Lloyds says it blocked Mr A and Mrs A’s account to protect them from further fraudulent activity. And as it was no longer confident in who it was speaking to on the phone, it required Mr A to attend the branch in person with his ID. Lloyds says it appreciates Mr A and Mrs A were not told their account would be blocked and its customer service could have been better. As a result, Lloyds offered them £100 compensation. Mr A and Mrs A did not accept.

Our investigator considered this complaint and decided to uphold it in Mr A and Mrs A’s favour. He awarded a further £200 in compensation on top of the £100 already paid – bringing the total compensation award to £300. However, our investigator informed Mr A and Mrs A that our Service cannot tell a bank what policies, procedures, and security measures to put in place. As a Service we investigate what went wrong and provide an outcome on what we think is a fair resolution to put the customer back in the position they should have been in had nothing had gone wrong. Mr A and Mrs A were not happy with our investigator’s outcome, so the complaint has been passed to me 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’ve seen that the disputed transactions reported have all been refunded, so I will only be considering the other elements of this complaint. I’ve also seen that Mr A and Mrs A have another related case with us, however, in this decision I am only looking at their complaint against Lloyds.

Lloyds believed the disputed transactions on Mr A and Mrs A’s account were made due to a

fraudster gaining access to Mr A's debit card details, so it blocked his card. However, Lloyds also had suspicions about who it was speaking to on the phone, so it blocked Mr A's banking profile - and I think that was reasonable in the circumstances. Had the fraudster only gained access to Mr A's card details, I would not have expected it to block the account completely, but this was not the case.

Mr A and Mrs A have questioned why the voice recognition was not used on all the calls which would have prevented the fraudster from gaining further information about their accounts. Voice recognition is not a legal requirement for all accounts, and this is a security measure Lloyds have chosen to incorporate. So, I can't make a finding that it did anything wrong by not using it when the fraudster called in. However, the fraudster had enough information already to pass the account security questions in the first place, so I think it was suitable for Lloyds to place the block on the account and ask Mr A to provide his ID in person in order to protect their finances.

While I think the block on the account was reasonable, I don't think it was reasonable for Lloyds not to inform Mr A and Mrs A about this. As a result, they moved money into that account which they were then not able to access immediately, and I can understand that must have been frustrating for them. I have considered this deciding on compensation below.

Mr A and Mrs A are unhappy that a thorough investigation has not taken place into how someone else was able to gain access to their account in the first place. However, this is not something I can instruct Lloyds to do. I can see that Mr A and Mrs A have been refunded for the money that was fraudulently taken from their account, and Lloyds took reasonable steps to prevent the fraudster taking any more money. I can also see that Lloyds paid Mr A and Mrs A £100 in compensation on 25 September 2023 into their account ending 4170 for the distress and inconvenience caused.

Part of Mr A and Mrs A's complaint is that they want sufficient compensation for the four hours they had to spend in branch in December 2023, and the countless phone calls they've had to make to try and resolve this issue. I appreciate this situation must have been frustrating for them, and particularly inconvenient as they were living abroad at the time. However, when things go wrong some time and effort is expected from both parties to put things back on track, so this has also been considered. And the fact that Mr A and Mrs A were not in the country at the time to unblock their account is not something I can penalise Lloyds for.

Our investigator considered the issue of compensation and decided to award a further £200 and considering everything on balance I think that this fair. I say this because I do think some compensation is due for the fact that Mr A and Mrs A were not made aware the account was blocked prior to it happening. I have also seen that Mr A and Mrs A spent several hours on the phone, often with long periods of being on hold, and some of the comments made on the calls were not helpful. However, as I've said above, I think Lloyds' decision to place a block on the account was reasonable and in the best interest of keeping Mr A and Mrs A's account safe. And I cannot penalise Lloyds for the fact that Mr A and Mrs A were abroad, so this was particularly inconvenient for them. Voice recognition is not a legal requirement, and I also cannot force Lloyds to do a more thorough investigation on why this wasn't used on every call. So, these factors have not influenced my compensation award. I am aware Mr A and Mrs A would like more compensation than this, however, for the reasons outlined above I think a further £200 compensation is fair, on top of the £100 which has already been paid.

Putting things right

Lloyds Bank PLC should pay Mr A and Mrs A an additional £200 compensation in this case for the distress and inconvenience caused.

My final decision

I am upholding this complaint and Lloyds Bank PLC should put things right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Mrs A to accept or reject my decision before 13 September 2024.

Sienna Mahboobani
Ombudsman