

The complaint

Mr K complains that Lloyds Bank PLC unfairly declined a payment he made to a third party.

What happened

In April 2024 Mr K attempted to make a payment of £2,059 to a new payee from his Lloyds bank account. The payment was picked up by Lloyds' fraud prevention systems and held for additional checks. Lloyds went on to speak with Mr K over the phone and asked him various questions concerning the payment he was trying to make.

During Mr K's call, Lloyds' agent asked him various questions concerning the payment. Mr K explained that the payment wasn't fraud or a scam. Lloyds asked Mr K who the payment was for and if they knew them personally. Mr K said he didn't know the person he was intending to pay. Lloyds also asked what the purpose of the payment was but he explained it was a private matter and declined to give the reason. Mr K confirmed his view that there was no element of fraud in the payment he was trying to make. Lloyds' agent ultimately declined the payment request on the basis Mr K refused to confirm what it was for.

Lloyds has explained that as Mr K wouldn't confirm the reason for his payment it applied blocks to his account to protect it. Mr K later visited branch with identification and the account blocks were removed, but the payment he tried to make wasn't authorised.

Mr K complained and Lloyds issued a final response on 27 April 2024. Lloyds said its fraud systems are designed to protect customers' money and sometimes lead to payments being declined that appear unusual. Lloyds accepted that this can sometimes lead to genuine payments being declined. Lloyds confirmed it had removed the blocks from Mr K's account. But Lloyds said that due to security concerns the block on payments to the third party Mr K had tried to pay remained in place.

Mr K referred his complaint to this service and it was passed to an investigator. The investigator said that Lloyds' terms and conditions allowed it to block payments in certain circumstances and ask for more information before approving them. The investigator wasn't persuaded that Lloyds had made a mistake or acted unfairly by blocking the payment in question and felt it had reasonably asked Mr K to provide the reason for his payment before agreeing to release it.

Mr K asked to appeal and said there's nothing in Lloyds' terms and conditions that requires a customer to only make a payment to a payee they know personally. Mr K also said that by asking for information that was unnecessary it had created a barrier to a legal objective that constitutes an invasion of privacy. Mr K said that Lloyds' decision to decline the payment meant he was unable to meet his financial obligations and didn't agree that it was acting to protect him or his money. As Mr K asked to appeal, his complaint has been passed to me to make a 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'm aware I've summarised the events surrounding this complaint in less detail than the parties involved. No discourtesy is intended by my approach which reflects the informal nature of this service. I want to assure all parties I've read and considered everything on file. I'm satisfied I don't need to comment on every point raised to fairly reach my decision. And if I don't comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues. My approach is in line with the rules we operate under.

I understand Mr K's point that the payment he tried to make was entirely genuine. And I note that Mr K has told us Lloyds hasn't provided any evidence to verify its claim the payment was suspicious and required further investigation. But Lloyds has sent us information from its fraud prevention systems that shows the payment was picked up for additional checks. Lloyds has explained its system uses a range of information to identify potentially fraudulent payments and I note Mr K was seeking to make a reasonably large payment to a new payee. So whilst I don't doubt the payment was genuine, I'm satisfied Lloyds' system did identify it and that the block was fairly applied.

Mr K's told us that Lloyds has refused to make the payment. But I think it's fair to say that Lloyds only declined the payment after Mr K refused to say why he was trying to make it. I'm satisfied that if Mr K had confirmed the reason for the payment, Lloyds' agent would've gone on to review it further with a view to approving it. Of course, I can't say whether any other security concerns would've been identified as the payment was ultimately declined when Mr K didn't provide the information Lloyds wanted. But, on balance, I'm satisfied that the barrier to making the payment was Mr K's decision not to confirm the reason he was making it.

Lloyds has explained that even though account restrictions were removed after Mr K visited the branch, he can't make payments to the intended third party. Ultimately, Lloyds is entitled to take steps to protect customers if it suspects they may be at risk of fraud. So I'm unable to agree that Lloyds' decision to block payments to the third party is unreasonable in the circumstances.

As our investigator has said, Lloyds' account terms and conditions allow it to stop payments a customer tries to make in certain situations. Section D15 of Lloyds' terms and conditions says:

We can stop you making payments if we reasonably think it is necessary:

- *To keep your account secure, including if you've lost your card or device;*
- *Because we suspect unauthorised or fraudulent use of your card, device or security details...*

Later, Lloyds' terms and conditions provide further information about the circumstances under which it can decide not to make a payment the customer's instructed. In brief, the terms say that if Lloyds reasonably suspects the payment could be fraudulent or seems unusual and it wants to investigate it further it can do so. The terms say Lloyds can ask for further information about the payment before agreeing to make it. So whilst I understand why Mr K is frustrated at Lloyds' decision not to approve his payment, I'm satisfied that's a step it's entitled to take.

I'm very sorry to disappoint Mr K but I haven't been persuaded that Lloyds has acted unfairly or made a mistake by asking him for the reason he was making the payment before approving it. I'm satisfied Lloyds was seeking to get a full understanding of the nature of the payment Mr K wanted to make before approving it – in line with the account's terms and conditions. Whilst I understand that holding a payment for further checks before approving it

is inconvenient at times, I'm satisfied Lloyds was seeking to ensure it was entirely genuine. As I'm satisfied Lloyds reasonably blocked Mr K's payment and had grounds to ask him the reason he wanted to make it I haven't been persuaded to uphold his complaint.

My final decision

My decision is that I don't uphold Mr K's complaint. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 22 October 2024.

Marco Manente
Ombudsman