

## **The complaint**

Ms W complains Lloyds Bank PLC unfairly blocked and closed her account, didn't release her account balance, and returned a sum of money to a third party. She wants compensation for not being able to use the funds and for the distress and inconvenience caused.

## **What happened**

Ms W opened an account with Lloyds in September 2023. She is an international student and needed a bank account to receive funds and pay for the costs of her study and living expenses.

In early October 2023 multiple third party payments credited the account. The majority of the payments were from persons appearing to purchase cryptocurrency through another third party via an online peer to peer trading platform.

One of the payments was for £700 which credited Ms W's account on 6 October 2023. On 17 October Lloyds received a report from the payer's payment services provider reporting the payment as resulting from a scam. Lloyds blocked the account.

Lloyds say they spoke to Ms W on 19 October 2023 about the payment. They said Ms W told them she was expecting the payment; that she couldn't send payments directly from her home country due to restrictions; that she didn't know the payer, but the payment had been arranged through family and a family friend. Lloyds also say she told them she didn't have proof of entitlement to the funds in her account or evidence of conversations between her and the payer, although she would try to see if she could get anything.

Lloyds decided they would close the account that day and sent her a letter also dated 19 October 2023. The letter gave her two months before the account would close but said the account would remain blocked. The letter also said Ms W could access her balance in branch if she presented valid identification.

At the same time Lloyds decided to return £380 back to the payment service provider who reported the scam, which represented the unspent balance of the £700 payment. And they recorded markers with two fraud prevention databases. I must be clear however that this decision does not concern Lloyds recording the fraud markers. That matter is being considered under another complaint with our service.

Ms W spoke to Lloyds on several more occasions in 2023, both over the phone and in branch, while also raising a complaint. Lloyds rejected her complaint and said they had blocked the account fairly, that she could withdraw wages and benefits in branch with identification (although Ms W didn't receive a wage and wasn't entitled to benefits), and they had closed the account fairly and in line with their terms and conditions.

Ms W eventually received the remaining balance that was held in her account in May 2024.

Our investigator issued two views on Ms W's complaint and didn't uphold her complaint. In summary they said:

- Banks are very strictly regulated, with numerous legal and regulatory obligations.
- Lloyds blocked Ms W's account because they were concerned it had been used to receive fraudulent funds. They had asked Ms W for proof of her source of funds and her entitlement to the £700, which was reasonable.
- Ms W provided some evidence regarding her source of funds to our service, including the £700 payment, which were forwarded to Lloyds, but which didn't change their position. This was understandable as there was still sufficient doubt over the funds.
- Lloyds acted fairly by closing the account and returning £380 to the payment service provider which sent the £700 payment.
- Ms W was told in branch on 4 November 2023 that she could access the remaining funds after the account closed on 27 December 2023.

Ms W made numerous points when responding to our investigator. In summary they included:

- She hadn't been asked for proof of her entitlement to funds by Lloyds and was not given time to provide evidence or the means to. Lloyds hadn't investigated reasonably and had concluded their investigation too quickly.
- She doesn't recollect being told she could claim the balance after the account closed and that even if that were the case, Lloyds should have at least written to her to let her know she could claim the balance.
- Lloyds should still pay her the £380 they returned as this was her money. The payer confirmed they had withdrawn their report about the £700 to their payment service provider.

As no informal resolution could be agreed Ms W asked for a final decision from an ombudsman, so her complaint was given 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 aware that I've summarised the events in this complaint in 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.

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 Ms W and Lloyds have said, and reviewed all the information they've provided, before reaching my decision.

I've decided not to uphold Ms W's complaint. I appreciate this will be very disappointing news for her, so I'll explain why.

Ms W says she had to receive money into her account from her family due to how non-trade international money remittance from her home country is restricted. She says she received funds into her account via an informal payment network whereby her family paid a friend funds into their account, who in turn arranged for GBP payments to be paid to her account via third parties purchasing cryptocurrency on a cryptocurrency platform.

What Ms W has said is plausible - given the nature of the restrictions she referred to she may indeed receive money through genuine informal value transfers involving multiple payees she doesn't know. She provided our service with screen shots of the third party she says is a friend selling cryptocurrency to third parties. The sums the cryptocurrency was bought for correspond with the payments she received into her account, so there is weight to the chain of payments she received being evidenced to some extent.

I note though that what Ms W has been unable to do is evidence the ultimate source of the funds that were paid to the third party to then carry out the payments or her entitlement to those funds in terms of them deriving from her or her family. Given the nature of what Ms W has described her ability to provide this information may have been limited.

However, Lloyds are under strict regulatory and legal obligations when they provide accounts to customers, particularly where there is a suspicion that a customer may be receiving funds fraudulently. It's important to note that Lloyds' responsibilities continue not just when they onboarded Ms W, but they were ongoing. Monitoring and reviewing account activity either periodically or as the result of a negative event – such as a scam report – is an essential tool account providers use to carry out their obligations.

Considering all the information and evidence before me, I understand why Lloyds were strongly concerned on receiving a report that Ms W received funds resulting from a scam. It was also concerning to them that this was only very shortly after they had opened the account, and that most of the payments into the account were from persons unknown to Ms W. At that time to otherwise have allowed Ms W access to the funds would have carried with it the risk of committing a laundering offence and more generally, they may have missed an important opportunity to prevent further illegitimate activity taking place had they not acted.

Unfortunately, informal money transfer, particularly involving multiple persons and cryptocurrency exchange carries more prominent risks both for account providers and customers alike. Scams often increasingly involve cryptocurrency payments and informal value transfer systems can mean banks' ability to establish the ultimate source of funds in customers' accounts is diminished, impacting how robustly they can comply with their obligations. This can mean that persons who enter genuine arrangements to transfer money

into their accounts informally are at increased risk of not being able to meet banks' requirements to establish that the funds in their accounts derive from legitimate sources. And it may also mean such persons may be more at increased risk of receiving reports about the money paid into their accounts in relation to payments made by third parties to whom they have no prior connection. So, while I am not upholding Ms W's complaint – I want her to know this doesn't mean I have concluded she was knowingly involved in a scam or fraud.

Ms W says the person who reported the scam to their payment service provider withdrew their claim. This may indeed be true, but without that service provider confirming with Lloyds that Ms W was not implicated in the scam they fell victim to, I don't find Lloyds ought to have forgone their concerns about the payment. It's understandable why they would want confirmation via the entity that reported the concern, given this would be more reliable and independent verification of what Ms W was saying.

Even if at one point the payment service provider retracted the scam claim, I don't find Lloyds ought to have waited for this to happen before deciding to return the remaining funds from the £700 back to the remitter. Indeed, Ms W has said the payer didn't actually contact their payment service provider to withdraw their report until sometime later as they were concerned it would affect their overall scam claim.

Ms W feels Lloyds should still refund the £380 payment, but I don't find had they obtained the information she provided to our service this should have been sufficient to allay their concern about Ms W being involved in illegitimate activity. Nor do I find the information would show that she was entitled to the £700, given they still had an existing scam report regarding the payment which hadn't been retracted and Ms W hasn't been able to clearly show that the funds derive from funds she or her family held.

There looks to have been some confusion about whether Ms W could access the funds in the account prior to it closing by going into branch and presenting valid identification, given what Lloyds said on the notice to close letter and their final response letter. But listening to the call that occurred in branch on 4 November 2023, it's clear from that point the decision was made not to allow Ms W access to the funds until the account closed on 27 December 2023. The person Ms W spoke to in branch clearly told them that subject to potential other claims arising on the funds during the notice period, they could access them after the account closure, and the call demonstrates Ms W understood this.

Given many of the payments on the account were made the same way as the payment reported as a scam, I understand why Lloyds wanted further time to mitigate against the risk of further concerns being reported to them. So, while I appreciate how urgently Ms W wanted the funds, I don't find Lloyds actions were unreasonable. I appreciate Ms W says she doesn't remember being told this, but the conversation was clear. Ms W says Lloyds could have contacted her to remind them that the funds could now be accessed, which I don't find an unreasonable point to make. But I find there is potential fault on both sides here, such that I do not find compensation would be appropriate.

I'm also satisfied given the nature of Lloyds concerns that they acted within their legitimate commercial discretion to terminate their relationship with Ms W and close her account. Again, Ms W doesn't need to have necessarily done something wrong for Lloyds to make this decision. But considering the account terms I find they acted in line with them, and for the reasons I have already given I'm satisfied their decision not to allow her access to the funds during the notice period was justified.

Ms W referred to comments made by ombudsmen on other decisions she has read, which she believes supports her complaint. But my role is to consider the individual circumstances of her complaint and based on them, I have decided not to uphold Ms W's complaint or award her compensation.

### **My final decision**

My final decision is I do not uphold Ms W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms W to accept or reject my decision before 2 April March 2025.

Liam King  
**Ombudsman**