

## **The complaint**

Mr E complains that Lloyds Bank plc ('Lloyds') declined two credit card transactions and blocked his account each time for suspected fraud.

Mr E would like Lloyds to apologise to him and increase the compensation they have offered.

## **What happened**

On 8 and 16 January 2024, Mr E attempted to use his credit card to make online purchases, but on both occasions the transaction was declined by Lloyds and his account was blocked.

On each occasion Mr E contacted Lloyds the same day, but to mitigate his situation and secure the purchases he wished to make Mr E went on to complete the respective transactions using another provider's credit card.

When Mr E telephoned Lloyds on 8 January, Lloyds wouldn't explain why his transaction had been flagged by their fraud detection system, although they agreed to remove the block on his account.

When Mr E telephoned Lloyds on 16 January, Lloyds' customer service agent said the blocks on his account shouldn't have happened because Mr E had given his biometric approval in their banking app. During this call Mr E raised a complaint with the customer service agent who offered him £30 for the distress and inconvenience of having had two blocks in a short space of time and because he had authorised the transaction on 16 January 2024 through the app so it should have been approved.

Mr E accepted this, and the customer service agent attempted to transfer him to the fraud department. However the transfer was unsuccessful, and Mr E had to call Lloyds back and go through the whole process again.

When Mr E was connected to the fraud department they refused to unblock the credit card unless Mr E provided photographic identification ('ID') first. They sent him a link so he could upload his ID and would therefore not have to go to a branch.

Mr E was very unhappy at being asked to provide ID, and following the conversation with the fraud department he decided to close his credit card account with immediate effect.

Lloyds responded to Mr E's complaint, saying their fraud detection system had identified Mr E's transactions as suspicious and they were entitled to decline the payments. In addition to the £30 Lloyds offered a further £25 for poor customer service as he had been disconnected during one of his telephone calls with them.

Mr E accepted the £25 for the poor service but was unhappy that he had been asked for ID to unblock his card given it was a transaction he had authorised, and because he had not been asked for ID when Lloyds previously unblocked his card eight days earlier.

Mr E referred his complaint to our service. Our investigator did not uphold Mr E's complaint and found Lloyds had acted fairly and reasonably in the circumstances. Our investigator concluded that Lloyds' offer of £55 for how the issue was handled was fair.

Mr E did not agree. He said Lloyds had no "reasonable grounds" to suspect fraud and decline the payments, as set out in the terms and conditions of the account. Mr E thought that Lloyds had made a mistake as they accepted on the call that he had authorised the transaction, and he said that he shouldn't have been asked to provide his ID. He thought Lloyds' position was at odds with itself. Mr E added that when he sought advice to avoid similar transactions being declined in the future, Lloyds didn't help with this - despite the terms and conditions suggesting they could.

### My provisional findings

Earlier this month I issued my provisional findings in relation to this complaint, as follows:

*"I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. Having done so, I am minded to uphold Mr E's complaint in part.*

*Lloyds have legal and regulatory obligations to ensure they have appropriate systems and processes to protect their customers' funds, and this is reflected in the terms and conditions of Mr E's account. I have reviewed the terms and conditions submitted by Lloyds for this account.*

*I consider the terms relevant to the circumstances of this complaint are:*

#### ***"B2.5 Can we stop you using your card or refuse to authorise a transaction?"***

*We may cancel or suspend use of the card, refuse to replace or reissue a card, or refuse to authorise a transaction or type of transaction (even if your balance is under your credit limit) if:*

- (e) we have reasonable grounds for suspecting fraudulent or unauthorised use of your account, including if the transaction seems unusual compared with your normal card usage;*
- (f) we consider it necessary to protect the security of your account or card;*
- (i) we believe it is necessary as part of our procedures to prevent fraud or misuse of cards. You may be asked for further information, including proof of your identity, when we are asked to authorise a transaction.*

*... We are not responsible for any loss if a retailer or supplier refuses to accept your card or, for the reasons set out above, we refuse to process a transaction or delay in doing so or we suspend use of your card.*

*To help us prevent misuse of your account, we use systems to identify transactions that seem unusual. If you are planning an unusual transaction, please let us know beforehand so we can try to avoid delay. We may contact you about any transactions that seem unusual." Lloyds have confirmed to our service that they operate a sophisticated fraud detection system that uses specific criteria to determine and flag suspicious activity on customers' accounts, even if that activity turns out to be genuine.*

*Mr E wanted to know why his transactions were flagged by Lloyds' system to avoid similar problems with future transactions – and he says that by refusing to give him this information Lloyds refused to help him achieve this.*

*I can understand Mr E's frustration here, but I think Lloyds are entitled to withhold the specific details of their fraud detection criteria, given this will include sensitive information. I don't think I could reasonably expect Lloyds to divulge to Mr E how he could avoid his transactions being flagged as suspicious or potentially fraudulent, as I am of the view that this would undermine the integrity of their system.*

*I note the terms and conditions of the account state "If you are planning an unusual transaction, please let us know beforehand so we can try to avoid delay." However I don't consider this term means that a transaction would be pre-authorised or guaranteed, and this was explained to Mr E by Lloyds' fraud team during the telephone call on 8 January 2024. I recognise Mr E's strong view that as a matter of common sense his unique biometric approval should have been enough to ensure his transactions were processed.*

*In their submissions to this service Lloyds confirmed that a customer's biometric approval would not override their fraud detection system from identifying a transaction as suspicious or fraudulent - so it would not be their process to ignore a fraud flag on that basis.*

*Whilst this may at first appear paradoxical, I consider that Lloyds' process here appropriately operates to protect customers in scenarios where they may have been scammed or forced into approving transactions which expose them to financial harm.*

*Mr E went on to say that his biometric approval – and other factors which he referred to – could not have given Lloyds reasonable grounds for suspecting fraud, and so Lloyds were not acting in accordance with the terms and conditions when they declined the transactions and blocked his card.*

*In order for me to decide what's fair and reasonable in the circumstances of this complaint, I don't think it's necessary for me to investigate and decide whether Lloyds had reasonable grounds for suspecting fraud here. Lloyds could have taken the same action for any of the other reasons set out in their terms and conditions, including concerns about the use of the card or the security of the account.*

*I note during the telephone call on 16 January 2024 that Lloyds told Mr E that his biometric approval should have authorised his transactions. Lloyds' customer service agent said:*

*"It (the block) happened twice and shouldn't have. It is unacceptable in the way that you approved it in the app and that should have been okay. So I can offer a £30 inconvenience payment."*

*Lloyds confirmed in submissions to our service that there was no banking error, and they acknowledged their customer service agent – who was not an informed member of their fraud team – may not have been aware of their processes. But Lloyds didn't seek to revoke their payment of £30, as they thought this appropriately acknowledged Mr E's frustrations at having two transactions declined in a short period of time.*

*I acknowledge what the customer service agent said to Mr E was unhelpful as it was not correct (as the fraud team later confirmed), but it does not follow that the customer service agent's error means what they said should now be considered true or that it changes anything about Lloyds' fraud processes.*

*Towards the end of the call on 16 January 2014 Mr E was transferred to Lloyds' fraud team. I can understand Mr E's frustration and annoyance at their request for his ID in light of being told the block should not have happened. However, the fraud team were able to quickly and correctly inform Mr E that the block had been properly applied to his account in accordance with Lloyds' processes.*

*In these circumstances I don't consider Lloyds had any appropriate option here but to follow their usual security protocols in requiring Mr E's ID to unblock the account – which he could send electronically. While I appreciate this added a layer of inconvenience to Mr E, under the terms of Mr E's account it was reasonable for Lloyds to ask for further information including proof of his identity to authorise a transaction, as part of their procedures to prevent fraud. Although Lloyds' system flagged two of Mr E's transactions within a short period of time, I can't fairly criticise Lloyds for operating a sensitive system that is designed to protect their customers from financial harm.*

*I haven't seen any evidence that suggests Lloyds have treated Mr E differently to any other customer, in that their fraud detection system operated on his account just like anyone else's.*

*It may also help Mr E to know that our service can only look at individual complaints, so it is not for us to interfere with a business's processes, systems or controls nor is it for us to fine or punish a business. Those are the considerations of the regulator.*

*Overall, I'm minded to say that Lloyds' actions in relation to following their fraud processes were fair and reasonable, but I think the customer service agent's misinformation meant Mr E's expectations of what had happened were not reasonably managed and this caused him greater upset as he was given the impression Lloyds had done something wrong. Because of this I am of the view that Lloyds should pay Mr E a further £70 to recognise this.*

*I would also like to remind Lloyds going forwards to ensure they are communicating clearly with their customers during all points of contact."*

#### Responses to my provisional decision

In my provisional decision, I asked both Lloyds and Mr E to respond within a set timeframe if they had any further comments or evidence that they would like me to consider before I made a final decision.

Mr E responded that he accepted my proposal that Lloyds pay £70 for part of his complaint – but he thought it didn't go far enough to compensate him for his overall distress and inconvenience, and he still wanted an apology from Lloyds.

Mr E disagreed with my interpretation of clause B2.5 in his terms and conditions which says "If you are planning an unusual transaction, please let us know beforehand so we can try to avoid delay". He thought this must mean Lloyds could pre-authorise a transaction, as the clause would be redundant if Lloyds couldn't do anything. He repeated that Lloyds refused to help him avoid an issue with a future transaction.

Mr E also maintained there had been a banking error here, as he had been notified that his transaction had been approved when in fact it hadn't. And further to this, he said Lloyds' banking error had been recognised not only by the customer services representative on 16 January 2024, but also by her manager who had sanctioned the offer of £30 compensation made to him.

Lloyds responded that as I had agreed there had been no banking error, it was unfair and disproportionate to propose a further payment of £70 to Mr E for his distress and inconvenience, in addition to the £55 they'd already paid.

## **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 listened again to the multiple call recordings from 8 and 16 January 2024 and I have considered both parties' additional submissions. However, I'm not persuaded to change the conclusions I reached in my provisional decision. I'll explain why.

I think it may be helpful to say that it is not my role to challenge or interfere with Lloyds' processes and procedures or look to fine or punish them - that is a job for the Financial Conduct Authority as the regulator. My role is to resolve individual complaints based on what I consider is fair and reasonable in the circumstances of each case.

I note Mr E's comments about my interpretation of clause B2.5 of the terms and conditions for this account. I consider the starting point for interpreting this clause is to look at the literal meaning of the words used. In doing so, I cannot reasonably conclude that there is any obligation on Lloyds to pre-approve transactions. I don't agree that this means the clause is redundant. This is because I consider the intention of the clause is clear – to "try to avoid delay" in processing unusual transactions.

So when Mr E wanted Lloyds to guarantee a future transaction would go through, I don't consider this is something Lloyds were obliged to do under the terms and conditions of the account. And having listened to the call between the parties on 8 January 2024, I think Lloyds were reasonably clear when they told Mr E they would not pre-authorise transactions but that he should ring them immediately if his transaction was declined. I think if Mr E had experienced a further declined transaction, knowing who to call would probably have avoided delay in processing the payment.

I acknowledge Mr E's strong view that there were banking errors, but I am not persuaded that there were.

In their submissions Lloyds confirmed that a biometric approval would not override their fraud detection system – so I can't reasonably conclude that there was a banking error here, and that Mr E's biometric approval should have ensured his transaction went through.

I appreciate Mr E thinks this goes against common sense – but looking beyond this I can see how having separate checks may help Lloyds protect their customers in different scenarios. In my provisional decision I gave the example of someone being tricked or coerced into giving their biometric approval to a transaction. In this scenario a banking app notification might say a transaction is approved, but Lloyds' fraud detection system says the transaction is declined.

Given there are two processes working here, I don't think there was a banking error when Lloyds' biometric approval process said Mr E's transaction was approved, but the fraud detection process stopped the payment going through. And I am satisfied that Mr E was immediately aware the transactions had not gone through, because he telephoned Lloyds the same day.

Lloyds have submitted that as I found no banking error it would not be fair or reasonable to require them to pay further compensation to Mr E. To be clear, my proposal for Lloyds to pay further compensation stemmed from their miscommunication with Mr E, rather than any banking error.

It is clear from the call recording on 16 January 2024 and submissions to this service that the purpose of Lloyds' £30 payment was to compensate Mr E for the distress and inconvenience of having had two flagged transactions within a short space of time. And their payment of £25 was for a disconnected call.

While Lloyds took a step to acknowledge the inconvenience and upset caused by the two flagged transactions, I don't think the compensation offered recognised what happened next, when Mr E was given different information by the fraud team. I think the misinformation given to Mr E meant he then found the request for his ID to unblock his card unexpected, onerous and upsetting and caused him a greater degree of upset and inconvenience than had previously been acknowledged by Lloyds. So I think the additional £70 is fair to reflect this.

I note Mr E's position that his compensation should go further. He has submitted that both Lloyds' customer service agent and her manager thought his transactions shouldn't have been blocked, so they both made a mistake and there was misunderstanding at different levels in the chain of management.

But even if this is the case, it is not my role to punish or fine a business, as I've said above. My role is to look at what is fair and reasonable - and I don't think the manager's involvement here makes a substantial difference to the impact the misinformation had on Mr E.

Taking all the above into account, my decision is to uphold Mr E's complaint in part. For the reasons above Lloyds should make a further payment of £70 to Mr E for the distress and inconvenience caused to him.

### **Putting things right**

Lloyds Bank plc should do the following to put things right:

- Pay a further £70 to Mr E

### **My final decision**

For the reasons I have outlined, I uphold Mr E's complaint in part and require Lloyds Bank plc to put things right as I've set out above.

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

Clare Burgess-Cade  
**Ombudsman**