

The complaint

Mr C complains that Lloyds Bank Plc stopped a faster payment he'd attempted to make from his account.

What happened

Mr C held a classic account with Lloyds which has since been closed. On 28 November 2023, he tried to make an online faster payment of £6,000 from his Lloyds account to an account he holds elsewhere.

Prior to attempting to make the faster payment, Mr C had set up the new payment details for the other account. However, the faster payment was stopped for a security check and Mr C received a notification asking him to contact Lloyds.

Mr C contacted Lloyds the same day by telephone. During this telephone call, Lloyds informed Mr C that the payment he'd wanted to make was subject to a security check as it was concerned the transfer may have been a scam. Mr C was asked to confirm that the payment was genuine and answer questions to verify his identity as part of Lloyds' security measures during the call. The payment was then approved.

Mr C was unhappy with how his telephone call with Lloyds had been handled. He said no explanation was provided regarding why the payment had been stopped. And he said the questions he was asked were unnecessary as he could have proven his identity by using his personal security number (PSN). He thought Lloyds' security procedures and processes were inferior and asked it to record a complaint about what had happened.

On 6 December 2023, Lloyds issued its final response to Mr C's complaint. It didn't uphold his complaint and it didn't think there'd been a banking error. And it didn't think Mr C had received poor service as a result of what had happened. But it offered to pay him £30 as a gesture of goodwill to resolve his complaint.

Being dissatisfied with Lloyds' response his complaint, Mr C referred it to our service. Our investigator looked into it. But they didn't recommend upholding the complaint. They were persuaded that Lloyds hadn't made an error in stopping Mr C's payment for a fraud check and thought it had dealt with Mr C's complaint fairly. But Mr C rejected the outcome. So, I've been asked to decide the fairest way to resolve 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.

I'd like to thank Mr C for his detailed submissions about this complaint. I want to assure him that I've read and considered everything that both he and Lloyds have sent when reaching my decision. I haven't referred to all the points Mr C has raised as I've focused on what I feel are the key issues of the case. I hope Mr C won't take that as a discourtesy, my approach reflects the informal nature of our service.

As our investigator has mentioned, Mr C raised a new concern about the closure of his account by Lloyds. But that isn't part of this complaint. I can see our investigator has told Mr C that he'll need to set up a new complaint with our service if he wants us to look into the decision Lloyds made to close his account. I want to be clear to Mr C that my decision here will focus only on his complaint about what happened with his faster payment.

I'm sorry to hear about the difficulties Mr C experienced here. I recognise that he feels very strongly about the issues raised in this complaint. I'm sure he's suffered upset and inconvenience as a result of what happened – for that I'm sorry but my role is to assess whether I think Lloyds made a mistake, or treated Mr C unfairly, such that it needs to now put things right.

As I set out in the background to this complaint, Mr C attempted to make a faster payment of £6,000 on 28 November 2023. This payment was being made to a beneficiary that Mr C had recently set up on his account. So, it wasn't a payment that he'd made before.

The terms and conditions for the account that Mr C held with Lloyds clearly outlines that if it suspects fraud or a security threat it will contact an account holder by telephone or send a message by text or mobile alert asking them to contact it by telephone. The account terms go on to state:

"We will follow our security processes to check we are speaking with you, but we will never ask you to tell us your security details, for example, your user ID, password, memorable information or PIN."

I'm satisfied that the terms that apply to the account Mr C held explain in clear terms that transactions may be the subject of a fraud check if a security threat is suspected.

Banks have a duty to have robust strategies to safeguard customer accounts from potentially fraudulent transactions and scams. Preventing fraud is as important for the bank as it is for its customers. To do so a bank may subject online payments to a security check as Lloyds did here.

I understand that when Lloyds blocked Mr C's online transfer it was an inconvenient and frustrating experience. – especially given that this transaction was genuine. But here Lloyds had reason to suspect this transaction might not be authentic and it couldn't have known whether it was or wasn't until it could confirm the circumstances of this transfer with Mr C.

Mr C appears to dispute that Lloyds needed to subject this transfer to a security check. But this was a large payment to a new beneficiary. So, I can understand why Lloyds had cause to be vigilant here. And I think it was reasonable for the payment to be flagged as suspicious or high risk. It wasn't unreasonable here for the payment to be stopped pending enquiries with Mr C.

It'd not uncommon for banks to encounter fraudsters who use various methods to attempt to transfer funds out of accounts, and this is why faster payments can prompt security checks. So, it isn't unreasonable for it to have processes in place to check whether online faster payments are fraudulent. This was just as much for Mr C's protection as it was for Lloyds'.

Lloyds is entitled to determine its own policy in relation to fraud checks. We can't comment on whether a business' policy is 'right' or tell it that its policy should be changed. But in the individual circumstances here, I'm satisfied Lloyds followed its own policy on security checks for online transfers and that this was a fair action for it to take. I realise that Mr C sees it very differently, but I think Lloyds was taking reasonable actions here to safeguard his account.

As I've outlined above, the terms of the account Mr C held set out the steps Lloyds will take to notify an account holder if a transaction attracts a fraud check. Here Mr C received a notification to contact Lloyds to discuss the faster payment, which he did the same day. It follows that I'm persuaded Lloyds notified Mr C in a timely manner that his transaction had been stopped, which is in line with the account terms and conditions.

I've seen a written record of the telephone conversation Mr C had with Lloyds on 28 November 2023 and I've no reason to doubt the accuracy of that record. During that call, I'm satisfied that Mr C was informed of the reason why his payment was stopped. I realise that he's unhappy with the explanation he was given and may want Lloyds to provide more detail about why his payment was subject to a fraud check. But impartially, I think Lloyds has provided a reasonable amount of information around the issue to Mr C. I don't think it'd be fair for me to ask Lloyd to provide additional information to Mr C here.

Mr C was asked to complete security during his telephone call with Lloyds by answering personal questions, which were designed to prove his identity. While those questions may have felt intrusive, I'm satisfied that the questions Lloyds asked were in efforts to ascertain whether it was Mr C with whom it was speaking.

I understand that Mr C wanted to use his PSN to verify his identity as an alternative to answering the questions asked by Lloyds. I appreciate that he's able to use his PSN when telephone banking but when a customer contacts Lloyds following a payment being stopped for a fraud check, the PSN isn't used. This is because a customer is required to answer questions that are intentionally personalised to them to verify their identity. I'm satisfied that's a reasonable precaution in these circumstances and that this is in line with the account terms.

Mr C told our investigator that the block on the payment caused hardship to his family. But I haven't seen any evidence of that. And, because the telephone call with Lloyds lasted just over 38 minutes, I'm satisfied it resolved the issues surrounding Mr C's faster payment quickly. In doing so, I'm persuaded that Mr C's inconvenience was kept to a minimum. So, taking everything into consideration, I can't fairly conclude that the way in which it responded was unreasonable in the circumstances.

While Lloyds didn't uphold Mr C's complaint, it paid him £30 as a gesture of goodwill to resolve this complaint. I'm satisfied that this is a fair and reasonable outcome to this complaint. I haven't seen enough evidence to persuade me that a higher award is warranted here. So, I'm not going to direct that Lloyds increase the payment it made.

I understand Mr C feels very strongly about the issues raised in this complaint. But, for the reasons set out above, I think that Lloyds has acted fairly and reasonably. It follows that I'm not going to be asking it to take any further action here. This now brings to an end what we, in trying to resolve Mr C's dispute with Lloyds, can do for him.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 6 November 2024.

Julie Mitchell
Ombudsman

