

The complaint

Mr H complains about the service provided by Lloyds Bank PLC ('Lloyds') when he was trying to make a cheque payment to his stockbroker.

What happened

Mr H held a current account with Lloyds, which he'd opened in 2023.

1 August 2024 - Mr H posted a cheque to his stockbroker with the intention of putting him in funds to buy shares.

5 August - The stockbroker confirmed safe receipt of the cheque and Mr H instructed him to proceed with his planned purchase, telling him which shares he wanted to buy and how many.

9 August - Mr H learned from his stockbroker that his cheque had 'bounced' – in other words, it hadn't been paid by Lloyds.

Mr H contacted Lloyds immediately, concerned about what happened. He knew he had ample funds in his current account to cover the cheque and he'd had no contact from Lloyds to alert him to any problem with payment. Unable to resolve things over the phone, Mr H went to his local branch to deal with the matter.

Mr H signed a form in branch, providing Lloyds with an up-to-date signature mandate. He was given assurances that his cheque would now clear if re-presented.

15 August - Mr H learned from his stockbroker that the cheque had 'bounced' again when presented a second time. Lloyds had tried unsuccessfully to speak to Mr H that morning and by the time he called back, it was too late for Lloyds to be able to process his cheque that day. To avoid further delays, Mr H made a further trip to the branch where he arranged a bank transfer direct to his stockbroker, who was able to complete Mr H's planned share purchase. Mr H told Lloyds to cancel the cheque.

From 15 August onwards, Mr H received the following letters from Lloyds:

- dated 9 August –saying: ' We have not paid the cheque because when we compared the signature(s) on the cheque to our records we concluded that it did not meet our acceptance criteria'.
- dated 13 August – saying: 'Advice of Drawing Required - Please Represent: We have not paid the cheque because additional payment authorisation was required for this item but was not received'.
- dated 15 August – saying: 'Advice of Drawing Required - Please Represent: We have not paid the cheque because additional payment authorisation was required for this item but was not received'.

19 August – Mr H called Lloyds who confirmed his cheque had been cancelled in line with his instructions on 15 August.

Mr H complained to Lloyds about the way it had handled the processing of his cheque. He was concerned about reputational damage and frustrated that the shares he'd bought had increased in price after he'd first sent the cheque, resulting in him having to pay more to complete his planned purchase.

Lloyds upheld his complaint in part. It apologised for not giving Mr H better service and for giving him misleading information regarding the clearance of his cheque. Lloyds offered to pay him £30 redress to reflect the impact on Mr H of its admitted shortcomings. But Lloyds said his cheque was returned the first time as it hadn't had an up-to-date signature held on its system. And the next time, it was flagged by Lloyds' security systems so Lloyds needed to speak to him – when Lloyds wasn't able to speak to Mr H regarding the cheque, it was returned unpaid. It said its sophisticated security systems were in place to protect customers' money and they couldn't be bypassed and Lloyds had acted in line with the account terms and conditions when it held the payment for security checks.

Mr H rejected Lloyds' offer and brought his complaint to us. Mr H said he's around £972 out of pocket as a result of having to pay more for his shares, so he would like more compensation. And he didn't feel that Lloyds had adequately acknowledged or addressed the impact of what happened on his good standing and reputation with his stockbroker.

Our investigator thought it wasn't reasonable that Lloyds stopped the cheque first time due to not having a specimen signature, which resulted in Mr H being asked to visit a branch and provide a new signature mandate. And he didn't feel that Lloyds compensation offer was enough when Lloyds had assured him that the cheque would clear after he'd done this. He also thought that if Lloyds had made Mr H aware that a cheque for a large amount would need special approval, he could have taken this into account when he decided to send payment by cheque. The investigator didn't think Lloyds was responsible for the cost of the shares Mr H had bought. But overall, he felt Lloyds should pay £100 for overall distress and inconvenience.

Mr H disagreed with our investigator. He didn't feel this amount of compensation fairly reflected the impact on him of the way he'd been treated by Lloyds.

Mr H asked for an ombudsman to review this complaint, so it comes 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 can completely understand why what's happened has been upsetting and frustrating for Mr H. But having thought about everything, I've independently reached the same overall conclusions as our investigator. I'll explain my reasons.

My role is to consider the evidence presented by the parties in connection with Mr H's complaint and reach an independent, fair and reasonable decision based on the facts of the case and the evidence provided by both sides.

The background facts are broadly agreed. So I don't need to say more about what happened. Mr H told us that he's mainly upset about damage to his reputation and he'd like redress to compensate him at least in part for the extra he paid for his shares. So I've made that the focus of my decision.

Lloyds said Mr H's cheque was returned initially due to having no up-to-date signature held on its system. It's unclear to me why that was the case when Mr H says he'd provided a signature when he opened the account the previous year – as I would expect he would have been asked to do. And Lloyds told us it has a bank process in place for reviewing and keeping customers' signature records updated and communicating with customers when their signature needs to be updated. In the event Lloyds told us it rectified this on 9 August 2024, but by then, the cheque had already been returned. So it looks like Lloyds didn't provide Mr H with the level of service he was reasonably entitled to expect in this regard – which Lloyds acknowledged when it wrote to Mr H to say it was sorry it didn't give him better service.

But I think it was reasonable for Lloyds to request an updated signature and manager approval – the cheque was for a substantial five-figure sum, and I can see that Mr H had written it out using thick felt pen and as a result his signature wasn't very clear. Lloyds told us that security was higher due to the large amount – which I don't think is unreasonable. When Mr H provided an up-to-date signature in front of branch staff, this effectively provided the mandate the bank required for this purpose. The bank told him to arrange for the cheque to be re-presented and assumed it would then be processed.

So I can understand Mr H's further frustration when, on second presentation, the cheque was held up when Lloyds' automatic security system flagged it for checks.

But Lloyds has legal and regulatory obligations that it has to act in line with. Lloyds is required to have processes in place to help ensure it takes reasonable steps to keep customers' money safe. Sometimes this might mean that Lloyds' security system identifies and blocks a legitimate payment that a customer wants to make and when this happens, it understandably causes distress and inconvenience. It doesn't necessarily mean Lloyds has acted incorrectly or unfairly. But I think branch staff should have kept this in mind when providing assurances to Mr H that all would be well if he re-presented the cheque. He was led to understand there would be no further difficulty with payment, so what happened took Mr H by surprise and added to his overall dissatisfaction with the way Lloyds dealt with this matter.

However, I must take into account that checks undertaken as part of Lloyds' verification process are designed to help prevent fraudulent activity on customers' accounts. And Lloyds' terms and conditions, which Mr H would've signed up to in order to be able to use the account, allow Lloyds to stop payments being made in some circumstances. Here, Lloyds flagged the cheque payment for further security checks (initially the signature verification and the second time, when the fraud team needed to speak direct to Mr H). So, although this held up processing the cheque, I am satisfied that Lloyds acted in line with its business terms when it did this.

Mr H said his cheque wasn't honoured a third time. But I think he's relying on the three letters he received after he'd paid his stockbroker by direct transfer in the branch and it looks to me like this was just the post catching up with what happened after the event. Lloyds confirmed it had cancelled the cheque in line with Mr H's instructions after he made the direct transfer.

Lloyds has acknowledged that it could have provided Mr H with better service and said sorry for giving him misleading information regarding the clearance of his cheque. And I've set out above why I think its service fell short, in some respects, of the standard Mr H was entitled to expect. So, for these reasons, I'm upholding his complaint and I've thought carefully about the question of fair redress.

Our approach to redress is to aim to look at what's fair and reasonable in all the circumstances of a complaint. One way we would try and do this impartially here is to put Mr H in the position he'd be in if Lloyds hadn't been responsible for poor service issues. So my starting point is to think about the impact on Mr H of what happened.

Mr H's shares had gone up in value after 1 August when he started the buying process by posting a cheque to his stockbroker. But the share price wasn't guaranteed. And had Mr H wanted the best chance of securing the shares at the price he'd first seen quoted, he could have sent immediate payment to his stockbroker by using Faster Payment or the Clearing House Automated Payment System ('CHAPS'), which could've enabled payment to be sent the same day direct to the recipient account. So I don't feel that it's fair to hold Lloyds responsible for the fact that Mr H ended up paying more for his shares when he could have mitigated this risk himself by sending a direct payment in the first place rather than posting a cheque.

Mr H is particularly upset about the impact of what happened on his relationship with his stockbroker. I appreciate this is an association built on mutual trust and respect and I don't underestimate how strongly Mr H feels about this. But I haven't been provided with any evidence to show that Mr H's standing with his stockbroker has resulted in any negative financial or other impact on Mr H and 'reputational damage' isn't something I can put a specific value on.

So I haven't identified any financial loss here or been provided with anything to show that Mr H is out of pocket as a result of any poor service on the part of Lloyds. But fair compensation isn't just about financial loss - it also needs to properly reflect the wider impact on Mr H of Lloyds' service failings.

Lloyds has already apologised for not giving Mr H better service and for giving him misleading information in branch regarding the clearance of his cheque. Mr H had gone into the branch specifically to try and resolve the problem with his cheque, so I can see that this would've added to his overall frustration and anxiety about the matter generally.

Thinking about all of this, I have no doubt that the shortcomings in the service provided by Lloyds aggravated an already frustrating situation and left Mr H feeling anxious and upset. The £100 payment recommended by the investigator seems fair to me in all the circumstances. I haven't seen enough to make me think it would be fair to require Lloyds to pay more than this. I am satisfied this amount matches the level of award I would make in these circumstances had it not already been proposed. It is in line with the amount this service would award in similar cases and it is fair compensation for Mr H in his particular situation.

If I have not referred to everything Mr H has mentioned during the course of his correspondence with us, that's because I've concentrated on what seems to me to be the core issue I need to address when deciding this particular complaint. Whilst I've taken into account everything he's told me, my approach simply reflects the fact that we provide an informal complaint handling service as a free alternative to the courts. I hope that setting things out as I've done is helpful and even though this isn't the outcome Mr H was hoping for, he will feel that his complaint has been fully considered by the Financial Ombudsman Service.

Putting things right

Lloyds should pay Mr H £100 compensation to reflect the impact on him of its poor service.

My final decision

My final decision is that I uphold this complaint and direct Lloyds Bank PLC to take the steps set out to put things right for Mr H.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 30 January 2025.

Susan Webb
Ombudsman