

The complaint

The trustees of a trust, which I will call T, complain that Lloyds Bank Plc failed to honour two cheques despite the trust holding ample funds.

What happened

T's trustees told us:

- They issued two cheques of £170,000 with the intention of transferring money from T's Lloyds account to a fixed rate investment elsewhere. The cheques were issued on 15 December 2023 and 19 January 2024. Lloyds refused to meet both of these cheques.
- Lloyds did not tell them that it had refused to pay the December cheque, and simply destroyed it without consultation. The first communication they received about the December cheque was an account statement issued around 10 January 2024.
- On receipt of the statement they visited a branch of Lloyds to find out what had happened and why payment had been refused. As a consequence of that branch visit, they issued a second cheque on 19 January 2024. Lloyds told them that the second cheque would be paid on presentation, and that it had marked its records accordingly.
- The bank refused to pay the second cheque but they were not told about that refusal until Lloyds wrote to them on 15 February 2024. The February letter offered to pay the cheque upon their personal contact, but Lloyds later said that offer was "invalid, and accordingly withdrawn".
- The trust finally made its investment on 1 March 2024. The funds were transferred electronically, and Lloyds carried out that transfer without charge in acknowledgement of its earlier errors in not paying the trustees' cheques.
- There is no doubt that Lloyds retained and used £170,000 of T's money, contrary to the trustees' instructions, between 18 December 2023 to 1 March 2024. T is entitled to compensation as a result.

Lloyds told us:

- Its security procedures meant that it could not pay the first cheque without first speaking to one of the trustees by phone. But it did not hold a telephone number for them, so it could not speak to them.
- It did not pay the second cheque because the date of that cheque was illegible. The illegibility meant it did not attempt to call the trustees; it simply destroyed the cheque in line with its processes.

- Overall, it considers that it acted correctly when it decided not to pay the two £170,000 cheques. However, it does accept that could have provided better support to T's trustees in branch, and it paid them £40 as a result. It also agreed that it didn't provide great service in respect of correctly recording the trustees' telephone details after their branch visit, and paid a further £70 to apologise for that failure.

One of our investigators looked at this complaint, but did not uphold it. He thought Lloyds had treated the trustees fairly when it decided not to pay the two cheques. He accepted that the trustees' had found Lloyds' actions frustrating, but he considered the bank had acted in line with its processes.

Lloyds accepted our investigator's findings, but T's trustees did not. The matter was therefore referred to me for review.

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.

Having done so, whilst I am sorry to further disappoint T's trustees there is very little I can add to what our investigator has already said.

So far as the first cheque is concerned, I consider that Lloyds' decision not to pay it without additional telephone instructions was reasonable. The cheque was for a very large amount, and if the cheque had not been legitimate Lloyds might have been liable to pay the full amount out of its own money. Lloyds is entitled to choose not to take that risk.

Given the time since the account was opened, it is not possible for me to determine whether the trustees gave Lloyds a telephone number at that time. But even if they did, that would not have guaranteed that Lloyds would have been able to contact the trustees when it attempted to process the cheque. Lloyds says that its process is to make only one attempt to telephone the person who issued a cheque, and that if it cannot get through it will decide not to make payment.

I accept that there are a large number of things that Lloyds *could* have done instead of making the decision not to pay the cheque. As T's trustees point out, the bank had many ways in which it could have contacted them. But I don't criticise Lloyds for making the commercial decision that it would make one telephone call only.

Lloyds told us that it didn't pay the second cheque because the date on it was illegible. I have seen a copy of that cheque, and I agree that the date was unclear. That means I think Lloyds was right not to pay the second cheque, regardless of whether the bank knew that the trustees did intend to make the payment. I know the trustees have said the bank promised to pay the second cheque on presentation, but I wouldn't expect that promise to hold for a cheque that was not fully legible.

Put another way, I don't think the bank's failure to properly record the trustees' telephone details after their branch visit contributed to the bank's failure to pay the second cheque. The reason the bank didn't pay the second cheque was because it was illegible, not because the bank could not (or did not) contact the trustees.

I also accept that Lloyds could have done more to tell the trustees that their payments had not been made. It is also true that the trustees themselves could have done more to check whether the payments had gone through. But I don't think Lloyds was obliged to inform the trustees, and so I do not criticise it for failing to do so.

I have carefully considered the trustees' comments, but I do not agree that Lloyds retained £170,000 of the trust's money contrary to the trustees' instructions between 18 December 2023 and 1 March 2024. As at 18 December 2023 the money was legitimately held in the trust's Lloyds bank account, and Lloyds was not satisfied that it had received valid instructions to move the money until 1 March 2024. I cannot therefore criticise Lloyds for holding on to the money in the meantime.

The trustees told us that Lloyds agreed to make an electronic transfer without charge in recognition of its earlier errors. But I consider that Lloyds simply made a gesture of goodwill, presumably in part because it had failed to correctly record the trustees' telephone details following their branch visit. I don't think Lloyds' decision not to charge for the electronic transfer implied that Lloyds should have paid the trustees or T anything further.

Overall, I consider that Lloyds treated T's trustees fairly and reasonably in respect of the two cheques complained of.

My final decision

My final decision is that I do not uphold this complaint against Lloyds Bank Plc. I make no award.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 6 February 2025.

Laura Colman
Ombudsman