

The complaint

C complains that Lloyds Bank PLC (Lloyds) allowed a fraudster to withdraw money from its business account. C wants to know how the fraudulent transaction took place. C also complains that the restrictions that have been put in place, prevent C from using the account in the way it wishes to.

C is a limited company. The complaint is brought on behalf of C by its director, Mr R.

What happened

The details of this complaint are well known to both parties, so I have only provided a very brief summary below. I must also make clear that this decision is solely looking at the issues C had with Lloyds about C's business account.

C has a business current account with Lloyds. In June 2022, Mr R was checking C's account statements when he noticed a payment that he didn't recognise. This was for an approximate sum of £7,000. Mr R flagged this as a fraudulent transaction with Lloyds. Lloyds investigated the matter and said that the payment had been made in a Lloyds branch. They agreed that it was done fraudulently and refunded C for the full amount.

Mr R was very concerned about the safety of C's account and so Lloyds explained that they could put a block on the account, which means additional security checks need to be completed before any money can be withdrawn in branch. It also puts limits on how C uses telephone banking and online banking. Mr R agreed to the block on C's account. But he wanted to know more about how the fraudulent transaction had taken place. He wanted to know what details, such as formal identification and or signatories, had been used to access C's account and whether there was any further risk to C's account.

Mr R didn't feel like he was getting the answers he needed, so he raised a complaint. Lloyds responded and said that fraud is an internal matter, and they couldn't share the details with Mr R. They apologised for the frustration caused but said they would support Mr R if he wished to raise the issue with the police.

Mr R remained unhappy and brought the complaint to this Service.

One of our investigators considered the matter. She was satisfied that Lloyds investigated and responded to the fraud on C's account quickly. She was satisfied that Lloyds refunded C for the funds that were fraudulently transferred but didn't think Lloyds needed to share any further information about how the fraud occurred.

She was satisfied that the blocks Lloyds had put in place were to prevent any further fraud from occurring and to protect C's account. She said that Mr R could request that these be removed from C's account if they were causing problems. She also said that Lloyds had agreed to open a secondary business account for C, which she thought was reasonable and could put Mr R's mind at ease.

Mr R remained unhappy. He said he couldn't be certain that C's current account wasn't at risk because Lloyds hadn't told him how the fraud occurred. He maintained that Lloyds should be able to tell him what happened, so he could protect C's account. He asked for the case to be reviewed by an ombudsman.

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.

Mr R, on behalf of C has provided detailed submissions to this service, giving his account of what has happened and why he is unhappy. I've carefully read all the correspondence they've sent this Service. That being said, my decision won't address every point or comment raised. I mean no discourtesy by this, it simply reflects the fact our Service is an informal dispute resolution service, set up as a free alternative to the courts. So, in deciding this complaint I've focussed on what I consider to be the heart of the matter, rather than considering every issue in turn.

Mr R has said he is satisfied that Lloyds dealt with the fraudulent transaction quickly and refunded the money to C's account in a reasonable time. So, I have not considered this as part of the complaint. I have however, looked to see if Lloyds should provide C with more information about how the fraud occurred, and whether the steps they have taken since the fraudulent transaction are reasonable.

When a fraudulent transaction is flagged, we expect businesses to act quickly to try and investigate what's happened. They don't always share the full details of their findings because it can contain confidential information. I understand Mr R wants to get to the bottom of what happened. But, our role is not to find out how the account details got into the hands of the fraudster, or how the fraud took place – but rather whether Lloyds have acted fairly and promptly.

In this instance, Mr R told Lloyds that he didn't recognise a payment from C's May 2022 statement and the following day Lloyds refunded C the money. Lloyds explained that the transaction was made in a Lloyds branch, by someone acting as Mr R. But they couldn't tell him any further information.

I've reviewed the contact notes that Lloyds have provided, alongside other information provided by Lloyds. Unfortunately, due to the passage of time that has passed, Lloyds haven't been able to send us any further details about the investigation into the fraudulent transaction. Had they been able to provide this, I may not have been able to share this with Mr R, but I may have been able to provide some reassurances. In any event, I'm satisfied that Lloyds took reasonable steps to try and understand what happened at the time, but they do not have to share anything further with C or Mr R, than they already have. Lloyds has explained it will support Mr R if he wishes to raise the fraud on C's account with the police, but this is something Mr R will need to decide.

To protect C's account, Lloyds explained that it could apply a block, which would require additional security checks before any transactions could be made in branch. This would put restrictions on C using online banking or telephone banking. I appreciate this block is causing frustration to C and means that to complete most banking functions Mr R has to attend a branch, which is inconvenient – but these were put in place to protect C's account. Lloyds has said on multiple occasions that it can remove the blocks if Mr R wishes. It's also agreed to set up a secondary business account for C, with a new sort code and account code.

Taking all of this into account, I'm satisfied that the steps Lloyds have taken are reasonable and have been put in place to provide additional security measures. I understand Mr R wants reassurance that the fraud won't happen again, before removing any blocks – but I don't think Lloyds can provide any more reassurance and so this is a decision he will need to make for C. I don't think Lloyds need to do anything further because of what happened, or to protect C moving forward.

I know my outcome will be disappointing to C, but I'm satisfied that Lloyds have acted appropriately here.

My final decision

For the reasons I've explained above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 8 January 2025.

Rachel Killian
Ombudsman