

The complaint

An organisation which I'll call 'S' complains that Lloyds Bank Plc (Lloyds) made a number of errors when opening and gaining access to its bank account. It says this caused it considerable difficulties.

S has been represented in this complaint by one of its committee members, Mr Y.

What happened

The background to this complaint is known to all parties so I'll just give a broad overview here.

On 28 May 2024, S applied for a charity account with Lloyds. The application was needed because the national organisation, of which S was a regional branch, was granted charity status.

This meant all regional branches were instructed to open new accounts to reflect this new charity status. And this is relevant because, as a branch of a charity, S needed to apply as an organisation rather than a charity. This led to a delay in the account opening as S needed to reapply. The account was opened on 5 July 2024.

Although the account was opened, Lloyds placed a restriction on the account pending regulatory checks. These checks included requests for information from the main charity which S was affiliated to.

During this period, payments to the account were accepted but no withdrawals were allowed. On 2 September 2024, S contacted Lloyds to complain. It said the account had taken too long to open and it wasn't able to withdraw funds.

In response, Lloyds told S a decision had been made to close the account – and this was repeated in a final response letter Lloyds then sent S.

S wasn't happy with this response and so brought the complaint to this Service.

As part of his investigation, our Investigator asked Lloyds for all background information relating to this complaint.

In its response, Lloyds said it had given S incorrect information when it told S that the account was to be closed.

In fact, Lloyds were still undertaking the information requests and regulatory checks associated with account openings of this type. And this was the reason why S couldn't withdraw funds.

Lloyds eventually received the required information on 3 October 2024 and removed all account blocks the same day. From this point the account could be fully operated. Lloyds explained its error to our Investigator and said it was sorry for the errors and said would offer S £200 in recognition of the upset and inconvenience caused.

Our Investigator thought the length of time it took for the account to be fully accessible was broadly reasonable, given the need for the regulatory checks, but thought Lloyds had made errors in its communication to S. He thought Lloyds were right to acknowledge the errors but thought £300 would more fairly reflect the impact of the errors on S.

Lloyds accepted our Investigator's opinion, but S still wasn't happy with this outcome.

S didn't feel the level of compensation offered reflected the poor communication throughout the account opening period, the impact of not being able to access funds and the time and trouble it took for S to obtain information and resolve the issues.

So, the complaint has been passed to me for a final decision.

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 first considered the time it took for the account to be opened and S to have full access.

From the evidence I've seen, the account was initially opened as a charity account but as S was a branch of a main charity, this was incorrect. And so, S needed to reapply for the correct account. This delay meant it took 32 days from the original application date for the account to be fully opened. While this is longer than would normally be the case, I don't think it's excessive given the nature of this type of account and the need for S to reapply for the correct account.

I've also considered the time it took for S to have full access to its account following its opening – a period of around 2 months.

Lloyds have said this was due to regulatory checks, which it was required to undertake, and, pending satisfactory outcomes of these checks, it had a requirement to place restrictions on the account. In this case the restrictions were a blockage on withdrawals.

Lloyds have also explained that central to these checks were requests for information – including from the main Charity S was part of.

Having looked at the evidence available I don't think the restrictions Lloyds placed on the account were unreasonable.

Banks have strict legal and regulatory obligations they must adhere to when opening accounts and from the evidence I've seen this is what it did in this complaint. I can understand S's frustration due to the time it took for S to complete its checks but, given the need for Lloyds to obtain third party information, I don't think, on balance, that the time was overly excessive. And I'm pleased to see Lloyds removed all restrictions on the same day it received the necessary information.

So, in summary, I don't think the time it took for S's account to be opened and fully operation was overly excessive and so I don't think Lloyds did anything wrong with regards to this aspect of the complaint.

I do, however, think Lloyds acted poorly in its overall communication to S.

When S complained to Lloyds in September 2024 it was told the account was to be closed and this appeared to be the reason for the withdrawal restrictions on the account. But Lloyds

have accepted this was an error and S should never have been told this. Lloyds reported the error to this Service as part of an information request but it's not clear exactly when this was explained to S.

It will have been both distressing and inconvenient for S not to have been told how and when it could access the funds in the account after it was told Lloyds intended to close the account. S was unsure of the status of its accounts and was unable to access funds to pay invoices. From the evidence available it seems S was only told about the regulatory checks around 23 September 2024 and, presumably, it was around this time that S realised the account would remain open and the reasons for the restrictions and delays that had been placed upon it. It was soon after this point that the information was received and full access to the account was allowed.

I'm pleased to see Lloyds have acknowledged the errors and recognise the need to compensate S.

S has raised concerns that it wasn't told the rationale for the restrictions. And it said other regional branches of the charity had been given more information about the reasons when bank accounts were similarly opened by them. S says it gave Lloyds full details of how and where it intended to conduct the account when it applied so, given this information, didn't think some of the reasons it suspected Lloyds were undertaking the checks for were valid.

I can't comment on what may or may not have been told to other parties in different circumstances, but I will say that while a bank may choose to expand on reasons for its actions it is not obliged to. Further, banks are obliged to undertake any check they feel is relevant to ensure accounts it opens are fully compliant with current regulations. From the evidence I've seen, this is what Lloyds did in this case.

So, given this, I can't fairly say Lloyds did anything wrong by not explaining the rationale behind its background checks and the restrictions it placed on the account.

But while I don't think Lloyds did anything wrong by not expanding on the full details behind its rationale for the outstanding checks it was undertaken, I do think it should have given S correct information when S initially complained on 2 September 2024. If it had it would have saved S both distress and inconvenience.

Putting things right

I've thought carefully about what I think Lloyds should do to put things right and I think £300 represents a fair amount of compensation. I'll explain why.

The errors Lloyds made were to incorrectly inform S that it intended to close its account and not give S clear direction of how and when it could access funds. S then had to make a number of phone calls and speak to different areas of the bank to try and get clearer information and to understand what was happening.

The guidance at this Service describes the level of £300 compensation as fair if it represents a business making, 'repeated small errors or a larger single mistake, requiring a reasonable effort to sort out'. And I think these errors made by Lloyds and the actions S had to take to resolve them broadly fits this definition.

S has also said that Lloyds has never made a direct apology to it for the error. I agree with S that this is appropriate in this case and so in addition to the £300 award I think Lloyds should provide S with an apology.

In summary, I agree that Lloyds made errors when opening S's account and think £300 compensation and apology is a fair and reasonable resolution.

My final decision

For the reasons given above I uphold this complaint.

I require Lloyds Bank PLC to pay S £300 compensation and provide it with an apology.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 13 August 2025.

Ben Castell
Ombudsman