

The complaint

Mr M complains that Lloyds Bank PLC unfairly withheld funds that were paid into his account.

Mr M is represented on this complaint, but I will refer to him directly throughout the decision.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr M held a Lloyds accounts, and between 28 July 2022 and 22 December 2022 Mr M received multiple payments into an account from a relative. Mr M has explained that he assisted family members – B1 and B2 with their professional gambling and allowed them to use his account for transactions. Mr M explained part of the incoming payments were the repayment of a loan made to B1.

In February 2023, due to concerns raised by the sending bank, Lloyds reviewed the account and incoming payments. Lloyds' review led to its decision to withhold £3,000 of the funds transferred to Mr M. As part of its review Lloyds also loaded a Credit Industry Fraud Avoidance System ('CIFAS'- the UK's fraud alert service) marker against Mr M's name. Lloyds also informed Mr M his accounts would be closing and provided him with two months' notice to make alternative arrangements. Mr M's accounts closed in May 2023.

In April 2024 Mr M raised a formal complaint about Lloyds' handling of his accounts. Lloyds reviewed the concerns raised, and it initially maintained that it had acted fairly in loading the CIFAS marker. However, in its response dated 5 July 2024 it confirmed it would remove the CIFAS marker loaded against Mr M following its review of the witness statements that had been submitted to defend his position. Lloyds issued Mr M a cheque for £80 in recognition of the delay in removing the marker.

Mr M remained unhappy as Lloyds continued to withhold £3,000. In its response to Mr M dated 19 August 2024 Lloyds explained that it had received an indemnity claim from the bank which sent the funds to Mr M, and it was obliged to review the claim and return the funds. Lloyds said it reviewed the account activity and Mr M's explanation as to the origin of funds didn't match the activity on the account. Lloyds also confirmed the fraud report was not from B1, and that the £3,000 that Mr M had moved to his savings account formed part of the fraudulent funds, so it was reasonable for these to be returned as part of the indemnity claim. Lloyds explained any issues Mr M had with B1 or B2 would need to be taken up directly with them.

Mr M referred his complaint to our service, and an Investigator carried out a review and made the following findings:

- Mr M agreed to receive and send funds from his Lloyds account to assist B1 and B2 in their capacity as professional gamblers. Six incoming payments in 2022 were reported as fraudulent.

- Although Mr M says the payments were repayment of a loan, and has provided messages to support this, Lloyds is under a duty to take the fraud and indemnity claim at face value.
- The fraud reports and exact details received don't need to be shared with Mr M.
- Lloyds was acting in line with its regulatory duties when it returned the £3,000 to the sending account.

Mr M disagreed with the findings, explaining key evidence had been dismissed and Lloyds had failed to properly review the fraud claim received.

As no agreement could be reached, the case has been referred to me – an ombudsman – 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.

Firstly, I am sorry to see Mr M has had cause for complaint – I can understand his frustration with the situation, especially given his recent comments around the evidence he has provided to support his position. However, having looked at the complaint fully, my review of the evidence has led me to the same overall conclusions as the Investigator previously set out and for much the same reasons. I will explain why.

I'll start by setting out some context for the review of Mr M's account. UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. This applies to both new and existing relationships. These obligations override all other obligations and aim to detect financial crime and fraud and protect customer interests. To help meet these goals banks will share information with each other and there is an expectation that institutions will work collaboratively in protecting customer interests. In Mr M's case I'm satisfied Lloyds was acting in line with these obligations when it reviewed Mr M's account following an indemnity claim.

Although I can see Mr M's complaint involved the CIFAS marker applied by Lloyds, I can see this has now been removed by Lloyds following its review of additional evidence. I appreciate the application of the marker would've been a source of stress for Mr M, and I can see it was recorded between February 2023 and July 2024. However, Lloyds was only in a position to remove the marker once it had received additional submissions from Mr M about the account activity. I therefore find Lloyds' offer of £80 in recognition of the delay in removing the marker to be fair in the circumstances.

The key issue for Mr M is Lloyds' decision to return £3,000 of the funds Mr M received back to the sending bank. The incoming payments that were considered fraudulent totalled £65,000. Looking at Mr M's statements I can see the funds were paid in and Mr M then forwarded on a majority of the funds, and this included a transfer to Mr M's savings account with Lloyds. Lloyds received an indemnity claim in February 2023. At the time Lloyds returned the funds Mr M had a balance of £20 and £7.03 in his accounts. The £3,000 was returned from the Lloyds savings account.

Mr M has provided detailed submissions regarding the usage of his account and the set up he had with B1 and B2. In summary, my understanding is that B1 and B2 were professional gamblers, and due to the challenges they faced in opening and maintaining bank accounts, Mr M agreed to assist. This involved Mr M's account receiving in funds that were forwarded on and utilised by B1 and B2 for their gambling. Mr M has also confirmed his partner was

involved in the agreement. Mr M says that the £3,000 sent back by Lloyds was legitimately his as he provided B1 with a loan of £6,000. I've thought carefully about these comments in light of the evidence provided by Lloyds.

Part of Lloyds' submissions involves details of the report it received. Mr M says it's unfair the exact details haven't been shared with him regarding the claim. Lloyds isn't under any duty to share the exact details with Mr M, and this service wouldn't expect it to disclose details which are considered confidential or commercially sensitive. However, I can see it has shared some details with Mr M regarding the report it received and has confirmed the report wasn't made by B1. At the time Lloyds received the report it blocked Mr M's account and Mr M contacted Lloyds to query the block. Mr M was informed the account was blocked due to concerns about payments made, and Mr M explained he receives payments in from B1 and B2 to assist as they are professional gamblers.

Mr M says that Lloyds has taken the fraud claim at face value without carrying out a thorough review of the claim and the account. I've considered these comments, but I don't agree Lloyds didn't conduct a review. Based on the information I've seen Lloyds spoke to Mr M directly about the funds, and looked at the claim, and account activity in light of the comments made by Mr M. I must also highlight that Lloyds is under a duty to act promptly when an indemnity claim is received to ensure any funds are recoverable. In Mr M's case I do find Lloyds' could've asked more questions and its decision to remove the CIFAS marker applied shows that it didn't have the requisite evidence to apply one. But its decision to return the funds to sender is separate from this, and although the CIFAS marker was removed, I don't consider the evidence provided to be so persuasive and compelling that the funds ought to be returned to Mr M. I therefore find Lloyds actions at the time to be reasonable in light of its regulatory duties.

I've also thought about Mr M's submissions, and whilst I appreciate he has provided communications to confirm the setup he had with B1 and B2 I'm not persuaded this evidence supports his entitlement to the funds received and that Lloyds has acted unfairly. Mr M has already confirmed his account was utilised by B1 and B2, and I can see multiple incoming payments from them on Mr M's statements. However, after December 2022 the payments from B2 stop and the balance of Mr M's account begins to lower. When the account was restricted, the balance was at its lowest point. Mr M's statements show funds were most often forwarded onto his partner, and although there are some gambling transactions, these are minimal in comparison to the funds paid in by B1 and B2. I don't doubt Mr M's comments about the agreement he had with B1 and B2, but in order for Lloyds to return the £3,000 to Mr M it needs to be satisfied Mr M is legitimately entitled to them, and I don't find the evidence supports this.

Mr M says the £3,000 was the repayment of a loan he made to B1, so this shows he is entitled to the funds. I've looked at the evidence provided, and I can't see any reference to a loan repayment in the incoming transfers that were later claimed as fraudulent. Given Mr M's comments about the set up he had with B1 and B2 it seems his account was being used by them to move funds. This now makes it very difficult to differentiate between funds that are Mr M says are his and those that he was essentially 'holding' for B1 and B2. I must also highlight Lloyds no longer holds these funds and they were returned to the sending bank, in line with the indemnity requirements. I can't say for certain what the sending bank has done with the funds, but the most appropriate course of action would be for Mr M to query the movement of funds with B1 and B2.

I'm sorry this isn't the outcome Mr M hoped for, and I know he will be disappointed with the decision I've reached, but I hope it provides some clarity around why I won't be asking Lloyds to take any further action or compensate Mr M.

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 M to accept or reject my decision before 3 October 2025.

Chandni Green
Ombudsman