

The complaint

Mrs W on behalf of company 'W' and its directors complains that Lloyds Bank PLC ("Lloyds") failed to restrict W's accounts when notified about a dispute between the directors and didn't update the account mandate or provide access to W's account when requested.

What happened

Mr B was a director of W and the only individual authorised to operate W's business accounts held with Lloyds. Mr B sent an email stating he intended to resign from office on 25 April 2024.

On 2 May an Extraordinary General Meeting was called and by majority resolution Mr B's resignation was accepted and three new directors appointed.

A mandate variation form for W's account was generated online by the new directors on 20 July and a letter sent to Lloyds on 24 July stating the change of directorship for W as registered at Companies House and asking the mandate be updated. But the mandate wasn't updated as the former director - Mr B - hadn't signed the mandate and so the new directors weren't able to access W's account.

On behalf of W a complaint was raised with Lloyds about this on 25 July.

Following this Mr B contacted Lloyds and stated that his removal as director at Companies House had been done without his consent and so Lloyds asked for the new directors to send in the email from Mr B evidencing his resignation. Following receipt of this on 28 August Lloyds were satisfied there was a dispute between the directors of W and added a block to W's account to protect company funds.

Lloyds received a new mandate request from W's directors on 29 August which included the removal of Mr B. But as it still wasn't signed by Mr B - being the only person authorised by the current mandate in place - Lloyds was unable to act on it.

The new directors chased Lloyds on numerous occasions for an update but it wasn't until 26 September Lloyds emailed instructions of what needed to be done to get the mandates updated and the blocks removed from the accounts including confirmation the dispute has been resolved signed by all parties (former and current director's).

Mr B informed Lloyds of his resignation on 3 October and that the dispute had been resolved. By 9 October Lloyds had received letters from all three parties involved and was able to proceed with the account amendments and confirmation of this was sent on 18 October.

Lloyds issued its final response to W's complaint on 10 October. Lloyds didn't agree it had made an error in not actioning the mandate or adding the restrictions to W's account sooner as it wasn't able to take instructions from third parties and the mandate wasn't signed by the former director Mr B - the only authorised signatory to the account. It says it used its

discretion when adding the restrictions to W's account when it was satisfied there was a dispute and couldn't update the mandate until this was resolved.

Lloyds says that it followed the correct process and advised that if they were looking to dispute any transactions on W's account to seek legal advice. But it did accept its service could've been better as there was a lack of contact and the situation wasn't progressed sooner with its legal department when its complaint representative was on leave and paid £75 compensation.

The new directors were dissatisfied with this and so Mrs W referred the complaint to this service on behalf of W. They say Lloyds consistently prevaricated about the action it would take during which time Mr B continued to have access to W's account and was able to withdraw funds which didn't belong to him. They don't understand how Mr B was allowed to operate W's account when he was no longer an officer of it.

One of our investigators looked into the concerns raised and explained that changing officers assigned to W with Companies House wouldn't automatically change the parties authorised to provide instruction to W's account and that Lloyds needed a new mandate signed by an authorised individual – in this case Mr B – to make the change. And as Lloyds didn't receive this until October, they didn't agree Lloyds had made an error when it didn't act on the mandate instructions as it wasn't signed by Mr B.

They agreed that W had received poor service but thought that the £75 compensation paid was fair and enough to compensate for any inconvenience caused.

W's directors disagree and say the delays in restricting the account and updating the account mandate and handing it over to them resulted in a loss of £1,270.16 to W and wants Lloyds to reimburse this. And so the matter has been progressed for an ombudsman's 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 hope that the directors of W won't take it as a discourtesy that I've condensed this complaint in the way that I have, I've no doubt the amount of time that has been put into this matter and their strength of feelings about this. But ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of the complaint. Our rules allow me to do that. And the crux of this complaint is about the service received by Lloyds when trying to update W's mandate. In particular, the directors believe the delays in updating W's mandate and applying a restriction to its account resulted in a loss of funds to W.

It might help if I explain we are not the regulator, I don't have the power to tell Lloyds how it needs to run its business or what procedures Lloyds needs to have in place to when updating a banking mandate or when it should restrict access to an account. This service doesn't supervise, regulate or discipline the businesses we cover or investigate whether a crime has been committed. And my role isn't to punish or penalise businesses for their performance or behaviour – that's the role of the regulator, in this case the Financial Conduct Authority.

My role rather is to look at problems that W has experienced and see if Lloyds has done anything wrong or acted unfairly. If it has, we'd seek to put W back in the position it would've been in if the mistakes hadn't happened. And we may award compensation that we think is fair and reasonable.

And having considered everything carefully I don't think Lloyds did do anything wrong when it followed its processes and wouldn't update W's account mandate or provide information on W's accounts when it hadn't received the requisite authority to do so.

The only person who had any authority over W's account – as per the mandate in place at the time – was Mr B and so I can't agree that Lloyds were at fault for not updating the mandate sooner than it did.

I appreciate that the directors believe that as Mr B had been removed as a director of W at Companies House that he shouldn't have been allowed to have access to its account. But as our investigator has already explained changing officers assigned to W with Companies House wouldn't automatically change the parties authorised to provide instruction to W's account. Lloyds needs to be able to satisfy itself that any actions taken are legitimate and with the correct authority to ensure it protects both itself and its customers - and in this case it didn't have this. Indeed, what it had was Mr B telling it that he had been resigned from office without his consent.

I also appreciate that the directors of W believe Lloyds should've restricted W's account sooner than it did. But as with updating the mandate Lloyds can't act on the instructions of third parties – which was all the directors were here. Lloyds weren't in a position where it could accept the directors version of events over Mr B's and needed some time to weigh up all the evidence and satisfy itself that there was a dispute and apply restrictions to W's account. And it wasn't until it was provided with a copy of Mr B's email stating his intention to resign from office it was satisfied this was the case at which point it applied the restrictions to W's account to safeguard its funds. Which I think was fair as this was the only evidence Lloyds had that Mr B had expressed a wish to resign.

I agree that the service around this could've been better and that Lloyds could've been clearer about what was required from the directors to have their requests actioned - particularly once it knew there was a dispute between the former and new directors of W. But I don't agree that the delays were caused by Lloyds alone. From the information I've seen the main issue and the delay in having the mandate updated was due to a dispute between the outgoing and incoming directors which Lloyds had no control over. Indeed, as soon as the dispute was resolved and confirmed in writing by all parties involved Lloyds was able to update W's mandate and remove the restrictions on the account.

I accept there has been some administrative inconvenience for W but as I don't think Lloyds made a mistake on insisting it had the requisite authority before updating the mandate on W's account or that it should've applied restrictions sooner than it did, I think the £75 compensation is paid is fair.

I say this as when considering compensation, I can only look at the any direct financial loss resulting from any errors I've found Lloyds to have made and not the distress and inconvenience the directors might have suffered personally. And as I've not seen any evidence that W has suffered any direct financial loss as a result of Lloyds actions, I'm not going to ask Lloyds to do anything more.

My final decision

For the reasons I've explained I think that Lloyds Bank PLC have done enough to settle W's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask W to accept or reject my decision before 4 June 2025.

Caroline Davies
Ombudsman