

The complaint

Mr and Mrs A complained because Lloyds Bank Plc refused to refund them for disputed transactions which they said they hadn't authorised.

What happened

On 28 September 2024, Mr and Mrs A contacted Lloyds. They disputed seven transactions on their joint account which had been debited in September 2022. They were all debit card payments to an e-commerce company. There were three £153.16 payments on 12 September 2022, and four £119.90 payments on 29 September 2022, making a total of £939.08.

Lloyds told Mr and Mrs A that it couldn't refund the transactions because it couldn't investigate fraud claims for payments over 13 months old, unless there had been exceptional circumstances. Mr and Mrs A told Lloyds that they hadn't had the banking app at the time – but Lloyds didn't agree that this was an exceptional circumstance.

Mr and Mrs A were on the phone for over an hour when they reported the transactions. They were put on hold and given incorrect information. They complained, both about not being given a refund and about the customer service they'd received.

Lloyds sent Mr and Mrs A its final response letter. It didn't uphold their complaint about its refusal to investigate the fraud claim, saying it was correct that it couldn't investigate fraud claims over 13 months old. It didn't agree that not having the banking app was an exceptional circumstance, because there had been other methods available to Mr and Mrs A for checking their account. It pointed out that it was good practice regularly to check and maintain any account, either in branch, online, or on the app, and said there were also limited services available on cash machines for checking an account.

Lloyds did however agree that Mr and Mrs A had had poor service when they rang to report the disputed transactions. It paid them £30 compensation for this.

Mr and Mrs A weren't satisfied and contacted this service. They said that while they could agree they'd been late identifying the fraudulent transactions, they'd never had any other fraudulent transactions on their Lloyds account, so they might have been less vigilant as a result. They told our investigator that as the account wasn't used regularly, they didn't monitor it. They only saw the disputed transactions when they were reviewing the account in September 2024. Mrs A had an account with the e-commerce organisation, but the disputed transactions weren't linked to it. Neither of them could suggest how the transactions could have happened, and said that as far as they knew, their personal and account details hadn't been compromised.

Mr and Mrs A said that Lloyds hadn't flagged the fact there had been three identical transactions on 12 September 2022, followed by four more on 29 September 2022. Lloyds hadn't checked with Mr and Mrs A about these obviously suspicious transactions. They said they considered that Lloyds allowing the fraud to happen outweighed their responsibility to

report fraudulent transactions within a fixed time. So they wanted an investigation and refund for the transactions.

Our investigator didn't uphold Mr and Mrs A's complaint. He said it was clear that a complaint about a disputed transaction has to be brought within 13 months unless there were exceptional circumstances. He didn't consider the circumstances here met the criteria for "exceptional circumstances."

The investigator also said that he didn't think there was enough to suggest Lloyds should have intervened. The payments were small in comparison with the overall account balance at the time. Mr and Mrs A hadn't disputed the first three payments by the time of the second set of payments – so the second set of payments wouldn't have appeared to be outside previous account activity. The investigator also said that Lloyds couldn't have attempted a chargeback by the time Mr and Mrs A told Lloyds they hadn't made the payments, because it was by then too late under chargeback rules. He noted that Lloyds had paid Mr and Mrs A compensation for the service issues when they reported the problem.

Mr and Mrs A didn't agree. They said that it wasn't a reasonable argument to say that the transactions were for small amounts in comparison to the overall balance of the account. They were still fraudulent, regardless of the amount, and the pattern of payments was manifestly abnormal. Mr and Mrs A said that there was at least shared responsibility for the loss, and Lloyds' actions fell short of what should be expected in relation to the monitoring of fraud.

Mr and Mrs A asked 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.

Time limit for reporting disputed transactions

The Regulations which govern these disputed transactions are the Payment Services Regulations 2017. Section 74 says:

"74.—(1) A payment service user is entitled to redress under regulation 76, 91, 92, 93 or 94 (liability for unauthorised transactions, non-execution or defective or late execution of transactions, or charges and interest), only if it notifies the payment service provider without undue delay, and in any event no later than 13 months after the debit date, on becoming aware of any unauthorised or incorrectly executed payment transaction."

This timescale is reflected in the Terms and Conditions of Mr and Mrs A's account, which say:

*"K5 What if a payment has been made from your account that you didn't ask for?
You should tell us as soon as possible if an unauthorised payment has been taken from your account. This means that someone else made the payment without your permission. You may be entitled to a refund. To get a refund you must tell us about the unauthorised payment within 13 months of it being taken from your account."*

This means that Lloyds didn't have to investigate the disputed payments, because Mr and Mrs A reported them two years after they had taken place.

It's unfortunate that Mr and Mrs A didn't check their account regularly. They've said this was because they hadn't had a problem before, which may be understandable but unfortunately isn't a wise course of action, because frauds can happen to anyone at any time.

I can see that, as they say, they rarely used the account, but there are undisputed transactions showing the account wasn't entirely dormant. So I'd have expected them to have looked at their account to check the genuine transactions, as well as routinely monitor the account. If they'd done so, they'd have seen the disputed ones. I've seen the statements. There were no transactions after 23 September 2020 until a payment to a florist on 19 August 2022, which was a few weeks before the disputed payments. There was also a payment to a retailer on 22 November 2022, and another payment on 2 August 2023, and if they'd checked their account after these payments, they'd have been within 13 months to report the disputed September 2022 ones.

I've considered whether there were any exceptional circumstances which meant that Mr and Mrs A couldn't reasonably have reported the dispute in time. I don't accept that not having the app constitutes exceptional circumstances. There were multiple other ways in which they could have checked their account, and managing an account can be competently done without ever using an app.

The 13 month limit is also a practical limit, because information isn't kept indefinitely, meaning that the necessary detail about the authentication of payments is usually just not available after such a long time.

So I don't consider Lloyds acted incorrectly by not investigating Mr and Mrs A's disputed transaction claim. It wasn't required to by the Regulations or the terms and conditions of the account; no exceptional circumstances were reported; and I accept that the length of time meant Lloyds no longer had the technical information about the payments which it would have needed in order to be able to investigate. For the avoidance of doubt, as the technical information is no longer available, it also wouldn't be possible for me to consider the technical evidence to form a reasoned opinion about who made and is liable for the disputed transactions.

Should Lloyds have blocked the disputed transactions?

Mr and Mrs A have argued that Lloyds allowed the fraud to happen by not blocking the transactions, and that this outweighed their responsibility to report the dispute in a timely way. It isn't possible to offset one of these issues against the other, as they are separate matters. I have, however, considered whether Lloyds should have taken additional steps when the payments were made.

Taking into account the law, regulator's rules and guidance, relevant codes of practice and what I consider to have been good industry practice at the time, I consider Lloyds should fairly and reasonably have been monitoring accounts and any payments made or received to counter various risks, including preventing fraud and scams. I'd also expect Lloyds to have systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud. Where a potential risk of financial harm is identified, I'd expect it to have taken additional steps, or made additional checks, or provided additional warnings, before processing a payment.

Banks have complex computer algorithms to identify possible fraud, which means there isn't a simple answer to why any particular transaction is or isn't blocked for further verification. I recognise that Mr and Mrs A have said that the relatively small size of the disputed transactions, compared to the balance on the account, isn't a valid reason for Lloyds' failure

to block the transactions. It is, however, common for fraudsters who have accessed an account to maximise their gains.

So it would be unusual for anyone with access to a victim's account to take £459.48 (the 12 September total) leaving a balance of over £3,000 in the account at that time. The second set of transactions, for a similar total, 17 days later, would have been less likely to have been flagged for fraud because three undisputed transactions of similar amounts and to the same recipient, were already on record on the account. The transactions were also relatively low in value, and not so out of character that Lloyds ought reasonably to have taken additional steps before processing them.

Banks have to balance the responsibility to carry out customers' instructions without delay, with the responsibility to identify possible fraud. There's a balance to be struck between identifying payments that could potentially be fraudulent – and then responding appropriately to any concerns – and ensuring minimal disruption to legitimate payments. Whilst banks have an obligation to act in their customers' best interests, they can't reasonably intervene in every transaction. To do so would involve significant disruption to legitimate payments.

In summary, Mr and Mrs A's late reporting of the disputed transactions means that Lloyds didn't have to investigate the dispute. I understand that Mr and Mrs A are unhappy about this, but it's what the Regulations and Terms and Conditions say, and the necessary computer information is no longer available. I'm sorry they are upset and have had this experience, but it isn't open to me to uphold their complaint.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs A to accept or reject my decision before 25 September 2025.

Belinda Knight
Ombudsman