DRN-5707162

The complaint

Mr M complains that Lloyds Bank PLC failed to stop gambling transactions from his account and that it then did not seek to reclaim them from the merchants involved.

What happened

Between September and December 2024 Mr M made a number of payments from his Lloyds account to several online gambling businesses. The total paid was around £5,000.

Mr M raised complaints about the payments. He said that they should not have been allowed to go through and that, when he raised the matter with the bank, it should have sought to recover them through the chargeback process. His reasons were, in summary:

- The operators of the sites had been acting illegally.
- They had used an incorrect merchant category code ("MCC").
- He was signed up to "G", a self-exclusion scheme for gambling transactions.
- He had activated the bank's own 'gambling freeze' facility, which should have stopped the payments.

Lloyds did not uphold Mr M's complaint, although it did acknowledge that it had not handled things as well as it might have done, and it paid him £50 in recognition of that. It said that its ability to block gambling transactions was largely dependent on merchants identifying themselves as gambling businesses through the relevant card scheme – in this case, Visa. Where businesses provided other services – for example, dealing in crypto-currency – as well as gambling, they might use a MCC which did not show them as a business providing gambling services.

The bank also said that, since Mr M had received the services he had paid for, there were no grounds on which it could properly make a chargeback request.

Mr M referred the matter to this service, where one of our investigators considered what had happened. She did not recommend that the complaint be upheld – for largely the same reasons as the bank. Mr M did not accept the investigator's assessment and asked that an ombudsman review the case.

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 shall consider first whether Lloyds should have stopped the payments being made in the first place.

Mr M says that from November 2024 he activated the bank's gambling freeze. That is an option which can be switched on and off through the Lloyds banking app. The bank's records show that Mr M did, as he says, activate the gambling freeze. It was, however, not guaranteed to prevent payments to gambling businesses being made. The notes in the app explain that the gambling freeze operates on the basis of how the recipient business is classed and that gambling transactions might still be completed. The notes say:

"How does the 'gambling freeze' work?

It instantly blocks any payment to a business classed as a gambling merchant.

If a business isn't classed as a gambling merchant, we won't be able to stop the payment – even if you think it counts as gambling."

Lloyds did not, therefore, guarantee that activation of the gambling freeze would stop gambling payments.

Mr M has explained that, from September 2024, he was registered with G, a self-exclusion service which prevents members from using gambling websites and apps within Great Britain. He believes that the fact that gambling businesses were able to take payments from him, notwithstanding his registration with G, shows that they were operating illegally.

G's website explains that online gambling companies licensed in Great Britain must check its register every time a customer attempts to register or log in. It appears however that the businesses which Mr M used were based offshore and may not therefore have been licensed in Great Britain.

It is not for me to say whether the merchants which Mr M used were licensed or whether they needed to be. But if they were trading without the necessary licence, I do not believe that is a matter of which Lloyds would have been aware. Perhaps more importantly, I don't believe it was under any duty to make enquiries into their business. It is not for the bank in effect to police the businesses to which its customers choose to make payments.

Similarly, if any of the gambling companies were licensed but failed to check or to identify Mr M's registration with G, that is not a matter over which Lloyds had any control. Its primary obligation when given instructions to make a payment is – subject to some exceptions – to make that payment in line with those instructions. One such exception is, of course, where there is a payment freeze or similar overriding instruction on the account. The bank had however explained the limitations of the gambling freeze, and I do not therefore believe that it acted incorrectly in making the payments.

I turn then to Mr M's complaint that Lloyds should have sought reimbursement through the chargeback scheme.

It is in my view important to note that all the payments were made in line with Mr M's instructions. That is, Lloyds transferred the sums which Mr M instructed it to transfer to the intended recipients. There is no real question either that Mr M received the services he paid for – namely, gambling services. That is the case even if the MCC used by the merchants suggested that he might be receiving a different service. And there is no suggestion that Mr M was tricked or coerced into making those payments.

Mr M says that Lloyds should have attempted a chargeback because the wrong MCC was used. I am satisfied that the code used was not a gambling code, but it does not follow that it was wrong. As the investigator noted, where a merchant's business falls under more than one MCC, it will not always be apparent what the payment is for. The investigator gave as an example a business which provides crypto-currency dealing as a service, as well as online gambling. In such cases, there may be more than one MCC which can be legitimately used. I am not persuaded therefore that the MCCs used were factually incorrect.

I think it is probably correct to say that, if the merchants had used the MCC appropriate for gambling-only businesses, the bank's gambling freeze is likely to have stopped the payments. But, since I do not believe they were obliged to do so, I think that Lloyds' conclusion – that were no valid reasons for a chargeback – was a reasonable one.

Finally, I agree that the bank's service was not as helpful as it could have been. Its messaging service, for example, failed to identify the reason for your call, even though I think you were clear about it. In addition, its response to your complaint referred you to G and similar services, even though a key point you made was that the payments should have been stopped because you were already registered. I believe however that the compensation of £50 offered by the bank was reasonable.

My final decision

For these reasons, my final decision is that I do not uphold Mr M's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 17 September 2025.
Mike Ingram
Ombudsman