

## **The complaint**

Miss I complains Lloyds Bank PLC recorded a marker against her on a fraud database and closed her account. She doesn't think it's treated her fairly.

## **What happened**

A summary of what happened is below.

Miss I held an account with Lloyds. In January 2025, it was credited with several large payments from third parties, through bank transfers. Some cash machine withdrawals followed using her card and PIN. However, the incoming payments were later reported as fraudulent to Lloyds.

Lloyds restricted the account and Miss I contacted it about this. But following a review, Lloyds decided to file a misuse of facility marker at Cifas, as it believed Miss I had been complicit in receiving fraudulent funds. It also closed her account.

Miss I found out about the marker and complained that she'd not done anything to cause this. She said she was a full-time university student and regularly received money from her father to support her living and study expenses. And so, when the payments were credited to her account, she believed these were from him, as it matched the pattern of regular financial support she'd been getting, and she didn't suspect anything unusual. However, she'd now understood she made a mistake in allowing someone she knew to use her account for payments. She said this person had assured her that the transactions were genuine and she believed him but now realised this was a lapse in judgement.

Miss I added that she noticed the payments on the day they had come in, and that money had been withdrawn from her account, but she wasn't the one who withdrew it. And when she tried to log into her banking app, she saw that she had been locked out and couldn't access her account. She went straight to the bank to report the issue and to understand what had happened. This was when she was informed that her account had been closed. She'd later learned about the fraud marker after doing a Data Subject Access Request.

Lloyds reviewed this information but didn't think it had made a mistake in the steps it had taken. Dissatisfied, Miss I contacted us. She said Lloyds hadn't given her any proper justification for the fraud marker, the opportunity to defend herself and this had affected her financially and personally.

One of our investigators looked at the case. She acknowledged what Miss I had said and provided but she didn't find her explanation plausible when looking at the other available evidence, for example, her online banking records around the time when the payments had come in and her card and PIN usage for the cash withdrawals. Given this, she was satisfied Lloyds had met the bar for loading the fraud marker and there wasn't a basis for removing it. She didn't find any error in the bank closing the account either.

Miss I disagreed. She said she did not knowingly or deliberately allow fraudulent funds into her account. When she saw them, she genuinely believed they were from her dad. She

added that allowing her account to be used was poor judgment, but didn't amount to dishonesty.

When the investigator didn't change her mind, the case was put forward for a 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'm sorry to disappoint Miss I but I'm not upholding her complaint, and I'll explain why.

The marker that Lloyds has filed is intended to record that there's been a 'misuse of facility'—relating to using the account to receive fraudulent funds. To file such a marker, it's not required to prove beyond reasonable doubt that Miss I is guilty of a fraud or financial crime, but it must show that there are grounds for more than mere suspicion or concern. The relevant guidance says, there must be reasonable grounds to believe that an identified fraud or financial crime has been committed or attempted, and the evidence must be clear, relevant, and rigorous.

What this means in practice is that the business must first be able to show that fraudulent funds have entered Miss I's account, whether they are retained or pass through the account. Secondly, the business will need to have strong evidence to show that Miss I was deliberately dishonest in receiving the fraudulent payments and knew they were, or might be, illegitimate payments. This can include allowing someone else to use their account to receive illegitimate payments. But a marker should not be registered against someone who was unwitting; there should be enough evidence to show complicity.

To meet the standard of proof required to register a fraud marker; the business must carry out checks of sufficient depth and retain records of these. This should include giving the account holder the opportunity to explain the activity on their account to understand their level of knowledge and intention.

So, I need to decide whether I think Lloyds has enough evidence to show fraudulent funds entered Miss I's account and she was complicit. And I'm satisfied that it has. I'll explain why by addressing what I consider are the salient points.

Lloyds has provided evidence that it received reports, saying that funds which entered Miss I's account was because of a fraud. Looking at what was reported, I'm satisfied Lloyds had reasonable evidence of a scam and needed to make enquiries to meet its regulatory obligations to investigate such matters.

Miss I's own testimony shows that she spoke with Lloyds at the time, so I think she was able to share her side of the story. In the documents provided she says,

*“The next day, I visited a branch to report the issue. I was informed that my account had been reviewed and closed and was assured I would receive a letter explaining the decision along with a cheque for my remaining balance.*

*While I was informed I could no longer bank with Lloyds, I was told my money would remain accessible.*

*On 13th January 2025, I received the closure letter and visited the branch again, to withdraw my funds. To my surprise, I was told that £7,170.49 had already been transferred out of my account on 7th January the same day my account was suspended.*

*When I asked for an explanation, I was told the money had been moved to an inside account within Lloyds Bank, which staff described as unusual. I was also informed that the matter had been flagged as fraud and that no steps would be taken to return my money. Despite explaining my position as an international student relying on this money for my living expenses, staff placed undue emphasis on my Nigerian passport. This discriminatory treatment is unacceptable.”*

Lloyds decided to file a fraud marker and once she complained I'd expect it to review matters with any additional information she was able to provide. So, Miss I has had a further opportunity to present her case.

I've looked at the circumstances and haven't found Lloyds' position unreasonable. This is because, Miss I said she believed the money was from her dad. But she also says she allowed someone to use her account through poor judgement. But if the latter is true, then presumably she knew that when Lloyds restricted and closed her account. In which case, it's questionable why she refers to the funds as hers and tried to withdraw them, if the payments had been arranged by someone else and she was not involved with them.

I've also examined the banking records and see there were several attempts to transfer funds out immediately from the account, which were fortunately stopped. The cash machine withdrawals were also done using Miss I's card and PIN. Ultimately, Miss I's credentials were required for this activity which she says wasn't her either. However, I'm satisfied this could have only happened with her involvement as there's no persuasive evidence of unauthorised compromise anywhere. Also, her comments about her initially thinking the funds were from her dad don't concur with who the payments came from – this information was visible to her on her account.

Ultimately, my role is to look at what both sides have provided and consider the weight of the evidence. Here, although Miss I has attempted to explain things, other evidence suggests she was aware of the payments (the senders names) and that they weren't legitimate. In conclusion, I'm satisfied Lloyds had enough information to support its actions, with the report it received, the account activity and the responses Miss I has given. It follows that I don't find its actions were unfair to record the marker or maintain it. For completeness, I haven't found any error in closing the account either - there's provision within the account agreement that allows Lloyds to terminate the account if it no longer wishes to continue banking with a customer, which was the case here.

Lloyds has said it is sorry Miss I feels it was discriminating when looking at her passport and that this wouldn't have been its intention. It says it must examine identification where there's been a report of fraud. I've thought about this and don't find what it has said unreasonable given the reports it had received. Without anything more I'm unable to conclude that Lloyd's mis-treated her. All things considered, I won't be requiring any further action to resolve this complaint, and as this is also the final stage of our process, my decision completes our review of this case.

### **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 Miss I to accept or reject my decision before 26 November 2025.

Sarita Taylor

**Ombudsman**