

The complaint

A company I'll call S complains that Lloyds Bank PLC (Cardnet) has blocked its funds and won't release them. To put things right, S wants Cardnet to release its funds.

S is represented by its director, Mrs A.

What happened

On 7 June 2023, Cardnet closed S's account following a review. It wrote to S explaining that it was concerned about some of the transactions going through S's account. It said it had been holding the account funds since 23 May 2023 (when it had started reviewing S's account) and it said it would retain the funds for 180 days.

S complained, but Cardnet didn't change its position. In its final response to S's complaint, it said it had now decided to withhold the funds in S's account for at least 540 days, and that it may extend that period depending on the circumstances.

It told Mrs A that it had closed S's account because the account performance was not in line with what S had declared it would be on its initial application form. It said S had declared an expected average transaction of £75, but that the actual average transaction value was £3,342.67, which didn't fit with the disclosed nature of business. It referred to section 17 of its terms of business, which say it can withhold payments if it suspects:

- "17.2.1 any Transaction is fraudulent or involves any other criminal activity;*
- 17.2.2 any Transaction was not in the ordinary course of your declared business;*
- 17.2.3 the number or size of Transactions is significantly greater than expected; or*
- 17.2.4 any of the events referred to in Clause 31.3.2 has happened (whether or not we have terminated this Agreement). Payments may be retained until we are satisfied that;*
 - a. the relevant transactions are legitimate;*
 - b. the relevant transactions are no longer liable to be the subject of a Chargeback; and*
 - c. your obligations to us have been satisfied in full."*

It confirmed the balance withheld was £17,434.46 and said it would continue to withhold the funds until it was satisfied with the level of liability/financial exposure posed to it.

Mrs A wasn't happy with Cardnet's reply, so she brought S's complaint to our service. However, our Investigator didn't uphold S's complaint. She explained Cardnet has various legal and regulatory obligations with which it had to comply, and that she was satisfied it was acting in line with those obligations (as well as the terms and conditions of the account) when it blocked S's account. She also said Cardnet was under no obligation to disclose the reasons for its decision to Mrs A.

Mrs A didn't accept our Investigator's findings. The response sent in raised a number of points, including the following:

- All transactions on the account were legitimate and related to the declared nature of business;
- The transaction limit was £7,500 but had been mistakenly recorded by Cardnet as £75;
- The 540 days Cardnet said it would hold the funds for expired on 4 September 2025; and
- Cardnet had failed to act in good faith.

There were further submissions, which I have read and considered, and the above is simply a summary of some of the main points made. The response didn't change our Investigator's mind, so Mrs A asked for an Ombudsman to review the matter afresh.

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 Mrs A, but I'm not upholding her complaint. I'll explain why.

All banks in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. That sometimes means they need to restrict customers' accounts while they carry out a review. And, having looked at the evidence, I'm satisfied Cardnet was acting in line with its legal and regulatory obligations when it blocked E's accounts. And that it was entitled to do so under the account terms and conditions that governed the relationship between Cardnet and S.

To answer S's complaint about Cardnet ongoing withholding of funds, I need to explain the way our service operates.

Our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information – and some of the information Cardnet has provided is information that I consider should be kept confidential. This means I'm not able to share full details with Mrs A, but I should stress that I have reviewed all of the information received from both parties, and that I have carried out an independent assessment of the complaint.

As I've explained, banks are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. This includes carrying out checks when a customer is first onboarded, as well as ongoing checks in respect of existing customers. I've looked at the reasons behind Cardnet's decision to retain the funds in S's account, which includes information Cardnet shared with Mrs A about the nature of the transactions passing through S's account, as well as further information Cardnet has shared with me in confidence.

And, having done so, I'm satisfied that Cardnet was entitled to withhold the funds in S's account, and I'm not persuaded it is treating S unfairly by declining to release them. Cardnet isn't obliged to disclose the reasons for its decision to S, and I see no good reason to require it to disclose those reasons to its customer.

I have considered all of the arguments submitted on behalf of S, but they don't change my decision here. Cardnet hasn't referred to a transaction limit: its concerns were born out of a large discrepancy between the average transaction value S declared at account opening and the actual average transaction value that went through the account, which Cardnet also says doesn't sit with S's declared nature of business.

I'm satisfied Cardnet's determination in that regard is reasonable and in any event, the obligations I've referred to are overriding and would entitle Cardnet to retain the funds, regardless of whether or not the initial review was born out of a misunderstanding on Cardnet's part. Although for the avoidance of doubt, I should state that I don't accept there has been a misunderstanding on Cardnet's part.

I recognise that Mrs A feels strongly about her complaint, and I don't doubt it has been a frustrating time for her. But overall, based on the evidence I've seen, I can't say Cardnet has acted unreasonably or treated S unfairly here, so I won't ask it to do anything further.

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 S to accept or reject my decision before 2 January 2026.

Alex Brooke-Smith
Ombudsman