

The complaint

Ms D complains that Lloyds Bank PLC repeatedly failed to enforce a merchant block she had placed on her account over three years before. And about a *'security breach involving tokenised card data from a reissued card'*.

Ms D also complains about the mishandling of her complaint as a vulnerable consumer, which caused her distress, delays and provided no formal resolution.

What happened

In 2022 Ms D instructed Lloyds to block a particular merchant with whom she was in dispute. She said Lloyds confirmed the block and said she should contact them every few months to maintain the block, which she did. However, the merchant accessed Ms D's account in 2024 and took £45. Lloyds refunded the payment immediately.

On 17 March 2025 Ms D said the merchant again took £45, *'using tokenised data from a reissued card'*. She said card details had not been provided to the merchant, but Lloyds said it would investigate whether an agreement was in place before it would refund the payment.

Ms D said this felt she was treated with suspicion despite having done the right thing, and the unauthorised withdrawal threatened to push her account into deficit. She said the shock of the charge caused a serious flare in her conditions and only after this *'emotional breakdown'* did Lloyds agree to a temporary refund on 20 March 2025. But Ms D said Lloyds didn't communicate an outcome and she complained on 9 June 2025.

Lloyds responded to Ms D's complaint in March 2025 apologising that the payment had been made, refunding the payment and paying her £40 compensation.

In her complaint, Ms D said Lloyds' staff said they don't know how the merchant got around its security system. She said this was a breach of the Payment Services Regulations 2017 and the Consumer Duty 2023 protections for vulnerable customers. Ms D requested explanations of what had happened and significant compensation of no less than £2,000.

Lloyds responded to Ms D on 13 June 2025 asking for more details of her complaint, which she provided, but she said she then heard nothing further and referred her complaint to our service. Lloyds sent its final response to Ms D about her complaint on 14 June 2025. Lloyds explained that Ms D had originally agreed a Continuous Payment Authority (CPA) with the merchant and said this would automatically move on to any new card she was issued.

Lloyds said the merchant explained that Ms D had never cancelled the subscription for its services. Lloyds said this is important as the block only last 13 months and it has no control of payments taken from her account. Lloyds said it had applied a new block from March 2025 and apologised to Ms D for its poor service and paid her further compensation of £100.

Our investigator recommended the complaint be upheld. He said Lloyds had followed the correct process by adding and re-adding the block. But misinformed Ms D in February 2025 that the block was in place when it wasn't and another payment should not have been

allowed. The investigator said Ms D made many calls made to Lloyds, but he was pleased there was no wider impact and she hadn't suffered a significant financial loss. He said Lloyds should pay Ms D further compensation of £100 for the trouble and upset caused.

Ms D did not accept this outcome as she said it was full of errors. She said she had never received £140 compensation from Lloyds and the investigator was wrong to say Lloyds wasn't at fault for allowing the payments and this was a serious security breach. Ms D said Lloyds has a legal duty to prevent unauthorised withdrawals from client accounts.

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.

Ms D has helpfully summarised her complaint points as;

- Lloyds' failure to uphold explicit instructions.
- Repeated unauthorised access to payments via tokenised card data.
- Lloyds' mishandling of a vulnerable customer.
- Lloyds' unlawful delay in issuing a final decision.
- Lloyds' breach of key consumer protection laws and FCA regulations.

Ms D wants an explanation of the failure of Lloyds to follow her instructions as to the merchant block and she wants confirmation from Lloyds of the block's future effectiveness.

I am sorry to learn of the emotional distress, humiliation and anxiety described by Ms D from the events she has complained of and I will deal with the points that she has raised. She has referred to the threat of financial harm, and the time and energy spent on managing the issue, and the negative impact on her health. I have noted the descriptions of the health problems she has faced and that she identifies as a vulnerable consumer.

Ms D said she was assured by Lloyds that the merchant block would be effective, and so I think her upset is understandable when the merchant obtained two payments. I can see from Lloyds' records that the merchant continued to try and take payments after Ms D put the block in place and other than the two payments in question, these were declined by Lloyds. When Lloyds investigated, the merchant said that Ms D had not cancelled her subscription and so it was entitled to seek the monthly payments to which she had previously agreed.

Lloyds explained to Ms D that a merchant block lasts for 13 months – hers was applied in October 2023 and ended in November 2024. Ms D renewed the block to Lloyds regularly. In February 2025 Lloyds incorrectly informed Ms D the block was still active on the account as payments had been blocked. However, the block had lapsed in November 2024 and a new block should have been applied then or at least and when Ms D called in February 2025. Lloyds reapplied the block on 15 March 2025 when the second payment was taken by the merchant.

In order for Ms D to have certainty about payments not being taken she needed to contact the merchant to permanently cancel the CPA as her agreement was with the merchant and not the bank. It's not clear why she didn't cancel her subscription and what followed was in part due to this. I understand that the CPA has now been removed by Lloyds and Ms D can be assured there will be no repetition of these payments.

I'm pleased that Lloyds re-applied the block as this was necessary once it had expired. Lloyds has given different reports of the reason for this. It said the block had expired as an oversight, and also that the merchant changed its name which meant it was no longer

recognised by the block. I asked Lloyds about this and it said the merchant changed the name used in the background although there was no change on the statement.

Ms D said that the unauthorised access to payments was allowed by Lloyds '*via tokenised card data*.' She viewed this as a failure in Lloyds' security processes. I asked Lloyds for information about its approach to merchant blocks and it said the authority Ms D gave to the merchant to take payments authority would automatically move on to any new bank card she was issued. Ms D has had the same bank card since 2023. This is a normal banking process rather than a '*security breach involving tokenised card data from a reissued card*', as Ms D had said.

Lloyds' guidance states it will block the CPA from the date of notification. And that if the block is bypassed the customer will automatically receive a refund by the end of the next working day. The Payment Regulations and associated rules and law require that unauthorised payments be refunded to the payer unless the bank can see that the payer acted with gross negligence or consented to the payment. Lloyds must also follow the rules concerning the handling of complaints.

Ms D raised a complaint to Lloyds about the second breach of her payment block on 17 March 2025. From the communications this appears as a claim to Lloyds as well as a complaint and Lloyds considered the issue accordingly, recording 'complaint logged' on its records. Lloyds responded to Ms D's complaint at the time apologising that the payment had been made to the blocked merchant, refunding the £45 and paying her £40 compensation.

Although Lloyds didn't write to Ms D, it responded to the issues of her complaint. Lloyds also texted Ms D with its standard message about investigating a claim and the temporary refund provided – I see nothing in this to have caused Ms D the offence to which she has referred. Lloyds also responded promptly to Ms D's escalation of her complaint in June 2025.

And so, in terms of complaint handling, Lloyds addressed Ms D's complaint of March 2025 and escalation in June 2025 within days of her contacts. From this it is clear that Lloyds has followed the complaint handling rules. The only failure I have seen is that Lloyds didn't communicate the conclusion of its investigation about the unblocked payment from March 2025. This created uncertainty for Ms D though Lloyds had already refunded the payment.

Ultimately, it is for Lloyds' regulator, the Financial Conduct Authority to say if it has acted in breach of the regulations concerning consumer protection, but I haven't seen anything to indicate that it has done so. Ms D can contact the Financial Conduct Authority about Lloyds if she wants to but should note that it will not handle individual complaints.

For the failure of the block Lloyds apologised to Ms D and paid her £140 compensation (as shown on her account statements for March and June 2025). I have considered whether this together with the further £100 compensation recommended by the investigator is a fair and reasonable reflection of the impact of the complaint on Ms D.

We cannot award compensation to punish a business as this is not our role. The awards that we make must bear a relationship to the impact on the consumer of what went wrong and I have thought carefully about this. The impact on Ms D relates to the distress she suffered in discovering that the merchant block had been bypassed and her account had been deducted a total of £90. And the inconvenience of having to sort the problem out including the cost of calls, some international.

I can understand why Ms D is unhappy that Lloyds did not protect her money after she had been assured the payments would be blocked. But I have found that Lloyds acted quickly to

put right its mistake and responded promptly to the complaint. I haven't found that Lloyds has failed in its awareness and response to Ms D as a vulnerable consumer.

I haven't seen any evidence that Ms D suffered a financial loss and I think the total of £240 compensation recommended by the investigator is fair, reasonable and proportionate to the impact from the circumstances of her complaint. Our website shows that this is in line with our guidance on awards for complaints of this nature.

Our service investigates the merits of complaints on an individual basis and that is what I've done here. I think it's important to explain that my decision is final. I realise that Ms D will be very disappointed by this outcome though I hope she appreciates the reasons why I have reached this decision. By rejecting this decision all options remain open to her in pursuing her complaint.

My final decision

For the reasons I have given it is my final decision that the complaint is upheld. If accepted by Ms D I require Lloyds Bank PLC to pay her compensation totalling £240 for the distress and inconvenience it caused her by its poor service. Lloyds may deduct from this sum any compensation it has already paid Ms D.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms d to accept or reject my decision before 9 March 2026.

Andrew Fraser
Ombudsman