

The complaint

Mr I complains Lloyds Bank PLC unfairly restricted his account and withheld his access to funds.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points.

Mr I held a Lloyds account and on 24 June 2025 he received an incoming payment of £6,771.99. Lloyds blocked Mr I's account so it could carry out due diligence checks. This included asking Mr I for evidence of his proof of entitlement to the funds. Mr I provided his explanation to Lloyds, and it continued to review the account.

Mr I raised a formal complaint about the restriction of his account, explaining the funds were legitimate and that the block was having a severe impact on him. In its final response letter issued on 27 June 2025 Lloyds explained the terms and conditions of the account allow it to restrict the account and check account activity. In an additional response sent on 1 July 2025 Lloyds explained there was no timeframe for the review, and it wasn't able to provide further details about how long the account would be restricted.

Mr I remained unhappy and referred his complaint to this service. In his referral Mr I explained the block was unfair, and Lloyds restricted his account for an excessive amount of time and provided poor customer service.

An Investigator reviewed Mr I's concerns, and they didn't uphold Mr I's complaint. In summary they explained:

- Lloyds' regulatory obligations meant it was required to monitor and review customer accounts, and it didn't need to give Mr I notice of this review.
- Lloyds asked Mr I about the account activity, and it wasn't satisfied with the information provided. This action was fair in light of the available evidence.
- The information provided to Mr I could've been clearer whilst his account was blocked, but compensation isn't appropriate in this case.

Mr I remained unhappy and maintained Lloyds had acted unfairly. As no agreement could be reached, the complaint has been passed to me – an ombudsman – for a final 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.

As a UK financial business, Lloyds is strictly regulated and must take certain actions in order to meet its legal and regulatory obligations. It's also required to carry out ongoing monitoring of an existing business relationship. This includes establishing the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if

they don't. That sometimes means Lloyds needs to restrict, or in some cases go as far as closing, customers' accounts.

Lloyds has explained and given me information to show why it reviewed and blocked Mr I's account. Having carefully considered this, I'm satisfied Lloyds took these actions in line with the obligations it must adhere to.

I know Mr I would like a detailed explanation as to why Lloyds took these actions. But Lloyds isn't under any obligation to provide this. I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from regulated businesses' as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information Lloyds has provided is information we consider should be kept confidential.

As part of the review process Lloyds carried out a proof of entitlement exercise and wanted to establish further details about the incoming payment. Mr I says he co-operated with this and provided information to Lloyds – explained the incoming funds were from a law firm, and he had message and evidence to support this. Lloyds didn't consider this information to be sufficient to mitigate its concerns, and it continued to review and block Mr I's account. Having considered the information provided by Mr I to Lloyds' in the first instance I consider this decision to be fair.

Whilst the account was blocked Mr I was also asked about further credits to the account that Lloyds had concerns over – specifically relating to higher education funding. Mr I explained that he had been enrolled on a course but was no longer – and he was unable to provide specific and clear details of the course and institution. Lloyds gave Mr I an opportunity to alleviate its concerns, but this wasn't possible based on the evidence he provided. Given the information outlined above, and the information provided to this service by Lloyds in confidence, I think it has acted appropriately and in keeping with its regulatory duties by continuing to block and review the account.

Mr I says Lloyds' decision to block his account caused him significant distress and inconvenience and he has provided information to demonstrate the extent of the impact the block has had. Mr I says he had to attend branch to access funds, and he was unable to pay rent, and he had to borrow funds from friends. I do appreciate this matter would've caused him some difficulty, as Mr I appears to have used his Lloyds account regularly. But having looked at what's happened in this particular case, I'm satisfied Lloyds has taken the appropriate steps to fulfil its regulatory duties. I must also highlight that it is common industry practice for customers to be able to access essential funds in branch when an account is under review. So I think Lloyds has acted in line with how we expect businesses to behave in these circumstances, and I can see no basis on which I might make an award against Lloyds.

The review and block of Mr I's account was between 24 June 2025 to 6 August 2025. Mr I says the service he received from Lloyds during this time was poor, and he wasn't given any support or information. As explained above, I consider the block to be fair in the circumstances, but I can understand Mr I's frustration and concerns. A block can have serious consequences for a customer, so there is an expectation that a review is carried out promptly. In Mr I's case I can't see there were any avoidable delays in Lloyds' review, but I do think some greater clarity could've been provided by Lloyds during this time frame. However, I don't consider compensation for this to be appropriate, as Lloyds was fulfilling its legal and regulatory obligations.

I know this will not be the outcome Mr I was hoping for, but I am satisfied Lloyds acted reasonably in taking action to discharge its regulatory obligation. I know Mr I will be

disappointed with the decision I've reached, but I hope it provides some clarity around why I won't be asking Lloyds to take any further action or compensate Mr I.

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 Mr I to accept or reject my decision before 2 January 2026.

Chandni Green
Ombudsman