

The complaint

A company I will call 'H' complained that Lloyds Bank PLC blocked its account without notice or any explanation and without regard for the impact on its business.

Mrs C, a director of H, brings the complaint on behalf of the company.

What happened

Lloyds blocked H's account on 26 March 2025 when it became aware of a debenture that could potentially mean Lloyds would be liable for any monies paid out of H's account without the debenture holders consent.

To keep things simpler, I'll refer to the debenture holder as 'A'.

When Lloyds obtained the debenture waiver letter it needed from A, it promptly unblocked H's account on 2 April 2025.

When Mrs C complained, Lloyds said it hadn't done anything wrong when it blocked H's account but agreed that its service had fallen short in one minor respect and offered £20 compensation.

Mrs C brought H's complaint to us. Our investigator didn't think Lloyds had acted unreasonably in applying a temporary block or in the way it had handled the situation.

Mrs C strongly disagreed, mainly saying that Lloyds hadn't explained anything when it blocked H's account and completely disregarded the devastating effect this had on direct debit payments. To put things right, Mrs C wanted significantly more compensation and some assurance that Lloyds wouldn't do this again in future.

Mrs C asked for an Ombudsman to review the case and so the complaint comes to me 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.

Having thought about everything, I've independently reached the same overall conclusion as our investigator that Lloyds' compensation award was fair. I'll explain my reasons.

I am satisfied that Lloyds acted fairly and reasonably when it blocked H's account. I appreciate that Mrs C said the debenture was a 'negative pledge' and Lloyds' money was never at risk. Also, that when H had debentures previously, Lloyds hadn't blocked the account. But this doesn't affect the outcome. Whilst Lloyds should carry out customers' lawful instructions, it must balance this against its legal and regulatory responsibilities which include protecting customers' and the bank's money from potential harm. Here, Lloyds had reasonable grounds for concern and it correctly followed its internal process that covered this situation. The account terms and conditions that H would've signed up to for the account allowed Lloyds to take this action.

How businesses choose to operate and their internal processes come under the oversight of the Financial Conduct Authority ('FCA'). So it's not up to me to tell Lloyds what its process should be in these circumstances. And if the same circumstances arise in future, Lloyds would be entitled to act as it did here.

Lloyds didn't initially direct its enquiries to the named person at A who was ready and able to assist and instead sent its email to A's general inbox. The failed direct debit payments could potentially have been avoided had Lloyds directed its enquiries to the named contact at A when Mrs C first provided this information on Friday 28 March. Lloyds didn't reach out to A until Monday 31 March – and then not to the direct contact. Lloyds' offer of £20 redress would reimburse H for the £20 in failed direct debit charges incurred when two direct debit payments made to A on 31 March each incurred a £10 unpaid debit fee. But further compensation for this isn't warranted as the payments completed successfully when re-presented which limited the financial detriment caused to H.

I appreciate that Mrs C also wanted compensation for '*...the distress and disruption caused by being unable to access my business account for a week without any information on timescales. This caused serious concern, business interruption, and reputational damage.*' But the account block itself wouldn't be a reason for me to award compensation as I've found that Lloyds didn't act unfairly or unreasonably when it restricted H's account. And I'm looking only at the impact on H (as opposed to Mrs C or anyone else) as this complaint concerns H's business account. I haven't been provided with any information to show that Lloyds' poor service (as opposed to the account block) resulted in reputational damage or any other detriment to H, beyond the unpaid debit fees incurred.

I'm sorry for how Mrs C was left feeling when she said Lloyds' complaints manager '*...point blank refused to tell me why my account was blocked*'. But I wouldn't necessarily expect Lloyds to tell Mrs C (or us) full details of its internal business policies and processes – we would focus on whether Lloyds had acted fairly and reasonably overall. Here I think Lloyds did engage with Mrs C when she made contact as H's representative. And although it didn't meet her expectations in terms of how it should've dealt with this matter, I haven't found that Lloyds made any error in terms of following its process. And I think £20 is fair compensation to cover H's financial costs incurred as a result of Lloyds' poor service when it failed to use the correct email details provided.

So Lloyds needs to take the steps set out below to put things right for H.

If I have not referred to everything else mentioned during the course of the correspondence, that's because I have nothing useful to add to what the investigator has said already and I've concentrated on what seem to me to be the core issues I need to address when deciding the complaint. I hope that setting things out as I've done helps explain how I've reached my conclusions.

Putting things right

Lloyds should pay H £20.

(If Lloyds has paid H any part of this award already, it can set this off against the total compensation awarded)

My final decision

My final decision is that I uphold this complaint and Lloyds Bank PLC should take the steps set out above to put things right.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 22 December 2025.

Susan Webb
Ombudsman