

The complaint

Mr and Mrs S' complaint is about a transaction on their bank account with Lloyds Bank PLC. They are unhappy that a refundable deposit they paid was not credited back to their account when they thought it should have been.

What happened

On 27 April 2025 Mr S paid a £300 deposit for a rental car. As the transaction had been processed and was pending - it had been approved at Lloyds' end, but not collected by the other party's bank - the amount of the transaction was not deducted from Mr and Mrs S' account, but it was deducted from the balance available for them to spend.

Following the return of the rental car on 2 May 2025, Mr and Mrs S were expecting to see a refund of the £300 on their bank statement. It did not appear, as the money had never been collected by the rental company's bank. What happened was that the pending transaction was cancelled and so the £300 became available to Mr and Mrs S to spend again.

Mr and Mrs S questioned the rental company about the lack of refund. It confirmed on 8 May 2025 that the payment had never been collected from their bank account, it had simply been an authorised transaction, which effectively froze that amount in their bank account in the event the rental company decided to collect the money. Once the car had been returned, the transaction had been cancelled, and the money should have been released within the bank account for Mr and Mrs S' use again.

Mrs S visited a branch of Lloyds in the middle of May 2025 and reported that she was told the cashier could see the £300 frozen on the account. The cashier is reported to have said that she could not confirm when the money would be released and that there was no transaction of £300 on 27 April 2025.

Mr S contacted Lloyds at the end of May 2025 as they had been expecting the refund within 28 days of returning the car, and it had not happened. Lloyds explained that there was no refund because the £300 never left the account; while the transaction was authorised, the car rental company never collected the money. Lloyds also confirmed that the transaction was no longer showing as pending, meaning that the funds were available for Mr and Mrs S to use as they wished.

Mr and Mrs S were not satisfied with the response they received and referred the complaint to this Service.

Lloyds provided us with the transaction logs and statements for Mr and Mrs S' account. These show that Mr S initiated a transfer of £300 from his savings account into the joint current account on 27 April 2025, which shows on the bank statement the following day. There was also a transaction for that amount authorised on the same day for the rental company, but the money was not collected. The transaction was reversed/cancelled on 2 May 2025.

One of our Investigators considered the complaint, but he didn't recommend that it be upheld. He was satisfied that the £300 had never left Mr and Mrs S' account and so was not due to be refunded.

Mr S provided some documentation from the car rental company that evidenced the £300 transaction. He asked the Investigator what he could do to get his money back. The investigator again explained that the money had never left Mr and Mrs S' bank account and so was not due to be refunded. Mr and Mrs S remained unhappy and asked that the complaint be referred to an Ombudsman.

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 think the issue in this case is that Mr and Mrs S believe that when Mr S completed the card transaction with the rental car company to pay the refundable deposit, the money was deducted from their joint bank account. However, that's not quite what happens. A card transaction is a two-stage process.

The first stage is the customer agreeing to the transaction – in this case by Mr S putting his debit card into a card terminal and authorising the transaction by entering his PIN. When that happens, instructions are sent to the customer's bank to tell it that the customer has authorised a transaction. The bank will register this as a "pending transaction" and, assuming there are sufficient funds in the account, it will set the amount of the transaction aside. The money is not deducted from the customer's bank account balance at this stage, but it will affect the amount they can spend or withdraw from the account.

The second stage of the debit process is for the retailer's bank to claim the money that the customer has said it can take. Once the retailer has claimed the money, that amount will be deducted from the customer's bank balance.

In this case only the first stage of the process happened. Based on what the rental car company told Mr S, it appears that rather than claiming the deposit money and then having to refund it in most cases, it leaves the transaction at the first stage of the process. This means that if the car is returned undamaged, it simply cancels the transaction and saves itself the effort of having to create a refund transaction. It is only if the car is not returned or returned in a damaged state that the rental car company will complete the transaction and claim the deposit monies.

Having looked at Mr and Mrs S' bank statements, and the background banking transactions, I am satisfied that there wasn't a payment of £300 made to the rental car company. This means that Mr and Mrs S were never due a refund of that amount. In simple terms, the rental car company didn't claim the money and so didn't need to refund it.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I am required to ask Mr and Mrs S to accept or reject my decision before 13 February 2026.

Derry Baxter
Ombudsman