

complaint

Mrs O has complained that Lloyds Bank Plc recorded a Credit Industry Fraud Avoidance System (CIFAS) marker against her name. CIFAS is one of the UK's fraud prevention agencies.

what happened

Following an account review in June 2018, Lloyds gave Mrs O notice they were going to close her account.

In July 2018, Mrs O received a payment for £3,043.

In August 2018, Mrs O's account was closed. Then Lloyds received notification that the £3,043 payment she received may be fraudulent. So in September 2018, they registered a CIFAS marker against her.

Following this, Mrs O's other accounts were closed by her other banks, and she wasn't able to open a new one. She had to ask her partner to pay her direct debits for her.

Further, Mrs O had been using her personal Lloyds account for business purposes, and was unable to open a new business account, so her limited company had to stop trading. She says a family member loaned money for her company, which has now been lost.

Mrs O did a subject access request with CIFAS, and in March 2019 she complained about Lloyds. She gave them evidence that she was entitled to receive the £3,043 payment.

In April 2019, Lloyds agreed this evidence was sufficient. They removed the CIFAS marker, apologised, and offered Mrs O £250 compensation.

Mrs O didn't accept Lloyds' offer and came to our service. Our investigator looked into things independently. She said Lloyds had already decided to close Mrs O's account before this issue with the £3,043 happened, so that wasn't linked. And she explained that Mrs O couldn't claim personal compensation for her limited company's losses. But she did think the CIFAS marker appeared to have caused at least three of Mrs O's other accounts to be closed. She said Lloyds should've given Mrs O the chance to explain herself before adding the marker, which would've avoided the trouble that followed. She thought Lloyds should pay Mrs O £350 compensation instead of £250.

Both sides disagreed with our investigator. In short, Lloyds felt the £250 they'd already offered was fairer, and pointed out that Mrs O had been using this personal account to run her business, which was against the terms and conditions.

On the other hand, Mrs O felt that £350 didn't reflect what she'd gone through – especially in regards to her business losses, as she had been planning to expand the business.

The complaint has been passed to me to decide.

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 done that, I've come to the same conclusions as our investigator, and for much the same reasons.

Both sides have now accepted that the payment in dispute was not received fraudulently, and so that Lloyds should not have added the CIFAS marker.

Like our investigator, I think Lloyds should have asked Mrs O for her side of the story before adding the marker. That would have avoided most, if not all, of what followed.

I understand that Mrs O's business suffered losses here, and that it stopped trading. So I completely understand why Mrs O would like Lloyds to pay compensation for that. But while Mrs O was the director and sole employee of the company, the nature of a limited company is that it is a completely separate entity to its director.

That means that, on the one hand, Mrs O cannot be held personally responsible for the limited company's debts. But it also means that Mrs O cannot claim personal compensation for the limited company's losses. And the limited company was not Lloyds' customer here – Mrs O was. This was a personal account in Mrs O's name, not the company's name. So while Mrs O does have my sympathy, I am not able to award her any compensation for the losses that the separate limited company may have suffered.

What I can consider, however, is the personal trouble and upset that Mrs O suffered. I can see that at least three of Mrs O's other accounts were closed, and because of that it doesn't look like she had a current account for several months. Mrs O explained her partner had to handle things like direct debits for her, which would've been a real source of stress.

When it comes to the amount of compensation I'd award, it's worth bearing in mind that we're not here to punish banks or issue very large fines. Instead, we often tell banks to pay compensation to their customer, to recognise that they got something wrong, and the impact that it had.

We have guidelines about the levels of compensation to award, and we need to be consistent. I agree with our investigator that £350 is a fair total amount of compensation to put things right here.

Lloyds feel this is too much, but I disagree. I think £350 is more appropriate than £250, as it better reflects that Mrs O was inconvenienced over a period of months. Lloyds pointed out that Mrs O broke her account's terms and conditions, but as our investigator already explained, that's not relevant here. This complaint is about the CIFAS marker, not about the way Mrs O managed her account or the way Lloyds closed it.

my final decision

For the reasons I've explained, I direct Lloyds Bank Plc to pay Mrs O £350 compensation.

Under the rules of the Financial Ombudsman Service, I am required to ask Mrs O to accept or reject my decision before 20 May 2020.

Adam Charles
ombudsman