

The complaint

B has complained that Lloyds Bank Plc “Lloyds” failed to set up a client account for it in a reasonable amount of time, which led to B incurring a number of charges and damage to its reputation. A director of B says that he also incurred personal costs because of this.

What happened

In November 2022, a director of B (Mr W) asked for Lloyds to provide the necessary forms that would be needed to set up a client account, whereby funds held in the account would be segregated from B’s money.

Mr W returned the forms to Lloyds on 3 May 2023. Lloyds says that due to the relevant department being extremely busy, it did not start processing the application forms until 15 May 2023.

When Lloyds started to process the forms, it asked B to provide the ownership structure and voting rights of the client. The accountant for the client sent information to Lloyds. However, Lloyds responded and said that any companies who own shares in the client company would need to be ‘broken down’ i.e. information about those companies also be provided.

Unhappy with how long it was taking to open a client account and how the process was handled, B opened an account elsewhere.

B complained to Lloyds about its handling of the account opening process. Lloyds responded to the complaint on 20 June 2023 and upheld the complaint. Lloyds paid B £200 compensation for the inconvenience caused and also £42 to cover the service charges on B’s account.

Lloyds acknowledged that Mr W had called Lloyds in November 2022 and that it had not explained what sort of information B would need to provide to open a client account. Lloyds also acknowledged that Mr W had been incorrectly told that payments can’t be made from a client account, which unfortunately led to B opening another business account unnecessarily. Lloyds also acknowledged that Mr W had made many calls to get a simple answer, and no one had called back to explain the process.

Unhappy with Lloyds’ final response, B referred its complaint to this service. One of our investigators assessed the complaint, and they upheld the complaint. They said that Lloyds should pay B £655 for late payment charges and £400 for reputational damage. They thought that the £200 Lloyds paid for the inconvenience caused to B in dealing with this matter was fair.

Both Lloyds and B did not accept the investigator’s conclusions, so the matter was referred for an ombudsman’s decision.

I issued a provisional decision on 18 June 2024, in which I explained that I was minded to say that Lloyds should pay B a further £200 compensation for the inconvenience caused to B by Lloyds’ handling of the client account application process. I also explained why I didn’t

think that the redress recommended by the investigator was warranted. I have included an extract of my provisional decision below and it forms a part of this decision.

“What I’ve provisionally 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.

It’s my role to review this complaint independently and impartially. In doing so, I take into account what both sides have said and reach a decision on what’s fair and reasonable in the circumstances. That means that as a part of this process, I may not agree with what our investigator says and will reach a different outcome. That’s what I’m intending to do here and I’ll set out my thinking on the complaint and give both sides an opportunity to respond before I make any final decision.

I understand that the basis of B’s complaint is that Mr W approached Lloyds in November 2022 to ask about the process and the necessary forms needed to set up a client account. Mr W says he was told that the process would only take a few days, and so Mr W didn’t take any action about setting up a client account until some months later in May 2023.

In terms of the first point, I acknowledge that Lloyds may not have necessarily explained in any great detail what exactly B would need to provide when applying for a client account. But although it would’ve been preferable had Lloyds done that, B was provided with the necessary forms by Lloyds in November 2022. So, it was the case that Mr W was given the information to understand the type of information that would need to be provided as part of the application process, well before when he submitted the forms.

In terms of the timeframe it’d take to set up the account, I don’t know what exactly had been discussed with Mr W. Although even if Mr W was told it would only take a few days, I don’t think any timeframe that may’ve been given could be guaranteed and could only reasonably have been an estimate. I say this bearing in mind the time it takes to process such an application would be dependent on what information would be needed and if any further information would be needed to complete the process.

I can see however, in an email sent to Mr W on 29 November 2022, Lloyds explained that Mr W would need to submit the forms, the forms would then need to be checked first to see if Lloyds needed further information. The email explained that only once Lloyds had everything it needs, it would then take 2-3 days to open the account. So, although Mr W may’ve been given an estimated time frame when he spoke to Lloyds, I think the email made it clear that the 2-3 days’ timescale only started once Lloyds had everything it needed to set the account up.

So that being the case, while I appreciate Mr W’s comments on why B proceeded as it did here – I don’t think it’d be fair to hold Lloyds responsible for the delay in submitting the forms between 29 November 2022 and 3 May 2023. Lloyds’ email subsequent to any conversation Mr W had with it was clear around the timescales involved and the need for Lloyds to have sufficient information. I think it gave reasonable information to set B’s expectations around this process.

Mr W sent Lloyds the client account application forms on 3 May 2023, in the understanding that it would only take a few days. However, although it’s clear that Lloyds didn’t process the application quickly, I do think that B’s delay in returning the

forms to Lloyds largely caused the inconvenience and costs that B went on to incur (and I acknowledge that it would have been stressful for Mr W too – but that's not something I can consider here because B is the entity that is eligible to bring this complaint).

I say this because Mr W says that B was awarded the contract to act on behalf of its client on 8 February 2023 and says the contract started on 1 May 2023. So, B had a reasonable period of time from the point it knew it had won the contract, in which to set up a client account, in anticipation of the contract starting on 1 May 2023.

However, even though the contract started on 1 May 2023, B had still not set up a client account by that point. And when B received an invoice on 4 May 2023 that it was required to pay out of its client funds – Mr W had only just sent the forms back to Lloyds to open such an account.

Based on what Mr W has said about B, I think it is fair to say that the client account should've been set up well before 1 May 2023. After all, Mr W himself has said that B had no way of acting on behalf of its client (by accepting client funds and paying for expenses on behalf of the client) without having a client account already set up. In my view, B submitted the client account application form at a time which didn't allow for unforeseen delays or for the application process to take longer than expected, should Lloyds have needed extra information as a part of the opening process.

Had B arranged to open the client account in a reasonable time before 1 May 2023, I think B could've largely avoided (or at least significantly reduced) the inconvenience it ultimately experienced – even if it had faced the same difficulties in terms of providing evidence to Lloyds of who the shareholders of the client were. So, it does seem unreasonable to apportion all of the blame on Lloyds because of the impact its delay had on B, in processing the application form. Because of this, I don't think it would be appropriate to make any award for any impact this matter may've had on B's reputation. Nor do I think it would be appropriate to say that Lloyds should be responsible for the costs that B (or Mr W personally) incurred.

Turning to the delay by Lloyds, I note that Mr W sent the client account forms to Lloyds on 3 May 2023 and Lloyds didn't get round to processing the forms until 15 May 2023. In my view, this amount of time to start processing a form is not reasonable. And I think Lloyds' delay did contribute to the inconvenience that B incurred – which unfortunately was already an urgent situation by that stage, because of the reasons outlined above.

In the days that followed (B sending the client account forms), I understand that Lloyds had incorrectly told B that payments can't be made from a client account. This unfortunately led to B opening another business account completely unnecessarily. Lloyds also acknowledged that Mr W had made many calls to get a simple answer, and no one had called back to explain the process. This delay also meant that, when Lloyds did respond and explain what additional information it needed, B was negotiating with contractors of its clients about delaying payments.

So considering the desperate situation that B was already dealing with, I do think that Lloyd's delay and handling of matters had a greater impact on B than the £200 that Lloyds has already paid B. In my view, when weighing everything up, I think that a further £200 compensation for the inconvenience caused – bringing the total amount to £400 – would more fairly reflect the added inconvenience that its poor handling of matters caused B.

Turning now to the information that Lloyds requested from B, once it had reviewed the forms, I understand that it asked B to provide a breakdown of the shareholders of the client company and the voting rights of the shareholders. B has questioned why it needed this information – it says that other banks have not requested such detailed information when B applied to open client accounts elsewhere. B also says that the money held in the client account would not have been the client’s money, but money held on trust on behalf of the customers of the client.

However, given that the client is a limited company, I don’t think it is unreasonable for Lloyds to ask for this information from B - even if other banks are willing to open a client account without knowing this detailed information. I say this because Lloyds wanted this information to adhere to its customer due diligence processes. When carrying out such checks, Lloyds has to take a risk-based approach. So, the amount of information that one financial business asks for may well be different to another. And in this case, I can appreciate why, given that the account would’ve been in the client’s name, Lloyds wanted to know who all of the beneficial owners of the client were. Therefore, I can’t reasonably say that Lloyds acted unfairly or unreasonably in asking for this information.

So, taking everything into account, I currently think that the compensation that Lloyds has already paid to B should be increased by a further £200, due to the inconvenience caused by Lloyds’ handling of the client account forms once they’d been submitted.

But for the reasons outlined above, I don’t think it would be appropriate to hold Lloyds responsible for the other costs and compensation that B is asking for. Given that I think that B’s choice to submit the client account forms when it did, is ultimately what led to it incurring many of the costs that it did.

Putting matters right

So I currently think that Lloyds should pay B £200 more compensation to put matters right.”

Having issued the provisional decision, Lloyds responded and agreed with the findings that it should pay B a further £200 for the inconvenience caused.

B also responded but did not accept the provisional decision findings. Although I won’t repeat B’s response verbatim, in summary, B said:

- That I had not adequately considered what compensation is due. B says that compensation levels are far more substantial against banks whose misconduct has not fallen anywhere close to the depths of Lloyds’ conduct in this case.
- That Lloyds accepted that it was not clear about what information it would demand from B. B says that it is staggering that this crucial acknowledgement was disregarded in my provisional decision.
- Lloyds requested information that could not have been foreseen by B. Lloyds erroneously treated B as if it was in a more complex regulated industry. Lloyds should have communicated clearly if it treats companies in B’s industry differently to the industry norm.
- It is unreasonable to expect consumers or small business owners to anticipate delays that are not explicitly communicated by the service provider.
- Lloyds consistently communicated a delivery timeframe of 2-3 days once the forms had been returned. This timeframe was prominently featured in their marketing

materials and reiterated in conversations. However, Lloyds failed to clarify that the most time-consuming aspect would be the collation of the required information, which was not transparently communicated to B.

- The actual timeframe of 8 weeks far exceeds the stated 2-3 days, indicating a significant discrepancy that could not reasonably be anticipated.
- Due to the misleading information and significant delay, B was forced to abandon Lloyds and seek alternatives. This not only caused inconvenience but also incurred additional costs and time. It is right that Lloyds pay for the consequences of their acknowledged misrepresentation which B relied on to its detriment.
- It provided the names of all shareholders, and voting rights, Lloyds were initially happy with just names for the shareholders. Lloyds went further and requested to know the shareholders of any corporate shareholders in the client company. B provided the names here too. In addition, all this information is also verifiable on Company's House. B then repeatedly asked what more information did Lloyds want?
- Blaming the customer is a breach of principle 6 of the FCA Handbook.
- While the provisional decision acknowledges some delay on Lloyds' part, it overlooks the critical fact that Lloyds' communication was insufficient and misleading from the outset. The evidence shows that B took reasonable steps based on the information provided by Lloyds, which should have been sufficient for setting up the account in a timely manner.

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 reconsidered everything, including B's response to my provisional decision, I remain of the view that Lloyds should pay B a further £200 compensation due to the handling of the client account application forms.

B says that Lloyds accepted that it was not clear in its original communication with B about what information it would demand from B when submitting the client account application documents. B says its staggering that this was disregarded in the provisional decision. However, I did consider that matter and I did address it in the provisional decision. I said:

"...I acknowledge that Lloyds may not have necessarily explained in any great detail what exactly B would need to provide when applying for a client account. But although it would've been preferable had Lloyds done that, B was provided with the necessary forms by Lloyds in November 2022. So, it was the case that Mr W was given the information to understand the type of information that would need to be provided as part of the application process, well before when he submitted the forms."

B says that Lloyds requested information that could not have been foreseen by B and incorrectly treated B as being a different type of business. However, although it's clear that B did not foresee what type of information Lloyds was going to ask for, that doesn't mean that Lloyds has acted unfairly or unreasonably by asking for more detailed information than B believes it needed to receive. As I said in the provisional decision, I think the information that Lloyds asked for was reasonable.

In terms of Lloyds mis-categorising B, I did see instances where staff were referring to B as carrying out a different business than it actually does. However, even if Lloyds had not done that, it still appears to be the case that Lloyds would've wanted the same information it'd asked for. As I said before, the amount of information Lloyds needed to approve the client

account application was carried out on a risk-based approach. In this case, given that the client is a private limited company; it has corporate entities as shareholders – some of which are based overseas; and given that a substantial amount of money would be flowing through the client account, I can't say that Lloyds was being unreasonable in asking for a detailed breakdown of the ownership structure of the client company.

B says it is not reasonable for it to anticipate delays that have not been communicated to it. But equally, Lloyds won't have been able to give a definitive timeframe due to various factors i.e. it won't know what extra information is needed until the application is submitted and assessed and it won't know how long it will take for the account holder to gather the necessary information etc...

B says that it was not transparently communicated that delays may occur if gathering all the necessary information took longer than usual. But Lloyds explained in its email of 29 November 2022 that Mr W would need to submit the forms and the forms would then need to be checked first to see if Lloyds needed further information. The email then explained that only once Lloyds had everything it needs, it would then take 2-3 days to open the account. So, I think Lloyds had explained the process to B and that it had pointed out that it would then take 2-3 days to open the account *once all of the information had been received*.

But, even if it was the case that B was told that the whole process would only take 2 -3 days, I don't think any timeframe given could be guaranteed and could only reasonably have been an estimate. I say this bearing in mind the time it takes to process such an application would be dependent on what information would be needed and if any further information would be needed to complete the process.

B says that, due to the misleading information about timescales and the significant delay in processing the client account application forms, it was forced to abandon Lloyds and seek alternatives. But, had B arranged to open the client account in a reasonable time before it was needed i.e. prior to 1 May 2023, I think B could've largely avoided (or at least significantly reduced) the inconvenience and costs it ultimately experienced – even if it had faced the same difficulties in terms of providing evidence to Lloyds of who the shareholders of the client company were. Or put another way, had B applied for the client account in good time before it was needed, I think it would've have had time to decide whether it wanted to pursue its application with Lloyds or whether to open one elsewhere, before it was needed. Because of this I don't think it'd be appropriate to hold Lloyds responsible for the amount of time the application process took, from when it had started to review the application forms on 15 May 2023.

Turning now to the information that Lloyds was asking for, B says that Lloyds requested to know the shareholders of any corporate shareholders in the client company. B says it provided the names of the corporate shareholders - all of which it says is verifiable on Company's House – and B then repeatedly asked what more information did Lloyds want?

However, looking at the exchange of emails, I can see that Lloyds initially contacted B on 15 May 2023 asking Mr W to complete certain sections of the forms and asked for B to provide a breakdown of all of the shareholders of the client. Although B and the accountant for the client did respond, Lloyds responded on 24 May 2023, confirming that the information provided up until that point was not sufficient for its purposes. In particular, Lloyds said:

“As I have advised you on multiple occasions, we have to conduct due diligence checks on the underlying client and this involves identifying the full 100% ownership of the company. As advised, we have attempted to do this via companies house however due to there being companies registered in other jurisdictions, I am unable to use companies house to break down the full 100% ownership structure and

therefore, we will need a letter to break down the full ownership structure. These are the same checks/demands we ask of all clients with similar set ups and without this, we cannot proceed with the account opening.”

So based on what I have seen, I'm satisfied that Lloyds had explained to B what information it needed and why. And given that it was asking for information about the beneficial owners of companies registered overseas, I think it was reasonable that B provide this information.

B says that blaming the customer is a breach of principle 6 of the FCA Handbook. It's not clear if B is saying that it believes I was blaming B for the events that unfolded or if Lloyds was blaming B. The reason why I need to consider the actions of B in this decision is not to blame B – after all, it's up to B how it chooses to manage its affairs. But instead, I have to consider B's actions to determine if it's fair to hold Lloyds responsible for the delays and subsequent losses that B incurred. And for the reasons outlined above, it does seem unreasonable to apportion all of the blame on Lloyds because it took longer to process the application forms than B expected.

That said, I do still think that the delay between B submitting the application forms and Lloyds starting to process them was unreasonable. Due to the pretty desperate situation that B was already in, I think the delay added to the inconvenience that B was already having to face. And although Mr W says that the compensation outlined in the provisional decision is nowhere near as much as it should be, I do think, when considering the actual inconvenience that this delay caused B, I think that a further award of £200 - bringing the total amount to £400 - is fair and reasonable in the circumstances.

I recognise that Mr W won't be happy with this decision, especially as the investigator had initially recommended more redress be paid. And I recognise that the events that gave rise to this complaint were very stressful for Mr W personally. But I hope I have been able to explain the reasons for my decision.

Putting things right

To put matters right, Lloyds should pay B £200 more compensation for the added inconvenience that its delay in processing B's client account application forms caused.

My final decision

Because of the reasons given above and in my provisional decision, I uphold this complaint and require Lloyds Bank PLC to do what I have outlined above to put matters right, in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 5 August 2024.

Thomas White
Ombudsman