

The complaint

Mr K complains that Lloyds Bank PLC blocked his account and that, having done so, handled the matter poorly before and when it lifted the restrictions.

What happened

Mr K has an Under-19s account with Lloyds. Amongst other things, he uses it to buy and sell items through online platforms.

In May 2023 Lloyds sent Mr K a text message to say that it had placed restrictions on his account as result of a report that fraudulent funds had been paid into it. Mr K contacted the bank and was asked to provide information about a credit which he had received. He was able to do so and to show that the payment was in respect of an online sale he had made.

Over the following days Mr K contacted Lloyds on several more occasions, both by telephone and by visiting his branch.

The restrictions on Mr K's account were lifted after nine days. It appears that there was a problem with the delivery of an item which Mr K had sold through an online platform and that, in an effort to resolve it, the buyer had disputed the payment. The account restrictions were lifted when the item was delivered.

Mr K complained that:

- the bank's initial message had referred to fraud, rather than to a dispute;
- that message had not told him what he needed to do to resolve matters;
- he was given incorrect information about how long it be before the restrictions would be lifted and the extent to which he could use the account in the meantime;
- he was not told when the block was lifted, but had to find out for himself;
- he had been told when he opened the account that it could be used to buy and sell items; and
- no action was taken against the seller (who also banks with Lloyds).

Lloyds acknowledged that it had not handled things as well as it could have done and paid Mr K a total of £150 in recognition of that. In particular, the bank said that the case had been wrongly filed, with the result that the account was restricted for longer than it should have been.

Mr K did not think the bank had done enough to resolve his complaint and referred the matter to this service. One of our investigators considered what had happened but concluded in a preliminary assessment that the bank's payment of £150 in total was fair and reasonable and did not recommend that it do any more. Mr K did not agree and asked that an ombudsman review the case.

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 so, I have reached the same overall conclusion as the investigator did, and for similar reasons.

I can understand why Mr K would have been concerned by the reference to fraud in the bank's original message. Such communications might need to cover a wide range of situations, including where an account is being used for fraudulent purposes without the customer's knowledge and (as was the case here) a simple dispute over delivery of an item. In many cases, a bank will have very limited information at the time it sends such a message. It is not for me to tell Lloyds how it should word its communications, but I do not believe that I can fairly say that Lloyds' initial contact with Mr K was unreasonable.

Nor do I agree with Mr K that the bank should have told him what he needed to do in that initial message. That would depend on the exact nature of the problem. That could only be determined once further investigations had been carried out. And I note that, even though he was not expressly told to contact the bank, Mr K did so in any event, which in turn meant that Lloyds could decide what to do next.

Lloyds accepts that it gave incorrect information about how long it would take to resolve matters and that it took longer than it should have done. It accepts too that it did not give Mr K accurate information about the effect of the restrictions. I don't therefore need to comment further on that issue – save to consider an appropriate level of compensation, which I discuss below.

I note that Mr K says the bank should have told him when the restrictions were lifted. Again, I can understand Mr K's argument here, but he was keeping a close eye on the account in any event, so I don't believe he suffered any detriment or significant further inconvenience as a result of not being told.

Mr K says he was told that he could use the account to buy and sell items. That appears to have been true, however. The issue here was not that he was using the account in the way he was; rather, it was that a buyer had raised a dispute.

Finally, I note that Mr K thinks Lloyds should take action against the buyer, who triggered the events which led to the account restriction. That is however a matter for the bank; it is not for me, in effect, to intervene in a dispute between that individual and Mr K. And in any event, Lloyds owes a duty of confidentiality to all its customers, so would not be able to discuss any action it might take with Mr K.

I must therefore consider whether – having regard to the errors which Lloyds has accepted it made and to which I have referred – it should do anything more to put things right. It has paid Mr K a total of £150, and I agree with the investigator that this is fair and reasonable in the circumstances. It is in line with our published guidelines on compensation for distress and inconvenience

My final decision

Your text here

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 18 June 2024.

Mike Ingram
Ombudsman