

The complaint

The trustees of a trust, which I will refer to as T, complain that Lloyds Bank Plc wrongly closed the trust's bank account.

What happened

The trustees told us:

- They opened the trust's bank account with Lloyds in 2014, and transferred part of the proceeds of the sale of a family home to the account.
- Lloyds wrote to them in July 2023 to explain that it had been over three years since they had used the account. Lloyds asked them to get in contact if they wanted to keep the account open. They did contact the bank, and at the time they assumed that the account remained open and without restrictions. They later discovered that assumption was wrong.
- In late 2023 they decided they would prefer to invest the trust's money, rather than letting it sit in a bank account to devalue in real terms. On 18 December 2023, they jointly agreed to loan the trust's money to one of the trustees (who I will refer to as the borrower trustee). The trustees' intention was to use a cheque to transfer funds from the trust's account to the current account of the borrower trustee. He would then transfer the money to a savings account in his own name, then use the money to purchase a house. As at 18 December 2023, they anticipated that completion on his property purchase would be 31 January 2024.
- Interest on the loan to the borrower trustee was to be payable at a rate of 6% from the date of completion until the end of August 2024. If the loan had gone ahead as it should have done, that would have resulted in payments of approximately £9,625 from the borrower trustee to the trust. Lloyds' errors mean that the trust has lost out on that money.
- The borrower trustee made a failed attempt to pay the trustees' cheque into his own current account on 19 December 2023.
- The trustees eventually discovered that the reason the cheque failed was that Lloyds had marked the account as dormant in August 2023. They urgently needed access to the money, and Lloyds told them that the easiest way to obtain their funds was to close the account. They did not want to close the account, but they submitted closure instructions on 11 January 2024 in an attempt to receive their money. The account has since been closed, and Lloyds will not reinstate it.
- Lloyds' delays in allowing access to the money meant that the borrower trustee could not conclude the missives for his intended house purchase in time for completion to occur on 31 January 2024. Completion was consequently delayed, and eventually happened on 26 February 2024. The undesired closure of the trust's bank account meant that the trustees had to reassess matters, primarily because it would have

been difficult for the trust to have received repayment of a loan without a bank account. The original loan agreement (reached on 18 December 2023) has therefore been scrapped and replaced with an interest free arrangement whilst the trustees obtain advice on how best to proceed with the trust. That means the trust will lose £9,625 in interest, the majority of which will be offset by a consequential gain to the trustees/beneficiaries.

- The bank has made an error and refused to put it right. The trustees of the trust have suffered a clear loss as a result. They hope the Financial Ombudsman Service will agree that a payment of £500 is not fair, as it barely covers the time and travel costs involved let alone any coverage of losses suffered.

Lloyds told us:

- It does not have a record of the trustees making contact following its July 2023 letter. However, it is prepared to give them the benefit of the doubt, and assume that trustees did indeed tell the bank that they wanted to keep the account open.
- It acknowledges that it gave the trustees the wrong information when the trustees called to find out why a branch appointment had been cancelled. Its call handler told the trustees they should submit an account closure form, but given the dormancy the only way for the trustees to access the funds in this type of account was for all the trustees to attend a branch at the same time, bringing their identity documentation, and for the account to be closed. It also acknowledged that the branch was some distances from the trustees' homes, and that the travel was expensive and inconvenient.
- The trustees received the funds on 19 January 2024, and the account was closed shortly afterwards.
- It paid the trustees £160 in respect of travel expenses and £340 for the distress and inconvenience caused by its errors (a total of £500).
- It no longer offers accounts of this type, and so it is not possible for the account to be reopened.

One of our investigators looked at this complaint. She thought Lloyds' offer to pay £500 was fair in the circumstances, bearing in mind the additional effort the trustees had to go to in order to obtain the trust's funds. She wasn't satisfied that the trustees (in their capacity as trustees) had suffered a financial loss as a result of Lloyds' errors, and she said that we could not make an award to anyone else. In any event, given that the borrower trustee received the trust's funds on 19 January 2024, she didn't think Lloyds' errors prevented him from completing on his property purchase on 31 January 2024.

Lloyds accepted our investigator's conclusions, but the trustees did not. The matter was therefore referred to me to review.

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, whilst I am sorry to further disappoint the trustees there is very little I can add to what our investigator has already said. I agree that £500 does represent fair compensation for Lloyds' errors.

I want to stress that the complainants here are the trustees of the trust. That means I can only consider the losses they have suffered in their capacity as trustees – I cannot consider any losses they might have suffered in any other capacity (such as beneficiary, or borrower).

It is clear that Lloyds' errors resulted in delays. If everything had happened as it should, the borrower trustee would have been able to pay a cheque into his own account on 19 December 2023. In fact, the trustees were not able to transfer the money for another month. It is clear that the trustees suffered both distress and inconvenience because of the delays.

However, I am not satisfied that the trustees suffered any financial loss as a result of Lloyds' errors. The fact the account was marked as dormant in August 2023 did not itself cause any loss of interest; the account was not interest bearing in any event. I acknowledge that the trustees say that instant access accounts generally sacrifice interest for ease of access to money, and that the fact they did not in fact have instant access to the money means interest should be paid. But my aim is, so far as possible, to put the trustees into the position they would have been in had the bank made no errors. I don't think the trustees would have earned interest from the bank in any event, and so I make no award for interest.

I am also not persuaded that the bank's errors caused the delay in the purchase of the borrower trustee's property. He had access to the funds on 19 January 2024, which was several days before the intended completion on 31 January 2024. I entirely accept that the borrower trustee was not willing to conclude the missives until he had access to the funds, but completion did not take place until the end of February 2024 and I have not seen sufficient evidence to persuade me that the bank's error was the sole reason for the delay. In any event, it was the trustees' decision to change the terms of the loan from the trust to the borrower trustee and I don't think it would be fair for me to order Lloyds to pay anything to the trustees in respect of loss of interest from that loan.

As our investigator noted, we publish information about our approach to distress and inconvenience on our website at <https://www.financial-ombudsman.org.uk/consumers/expect/compensation-for-distress-or-inconvenience> . I think she was right to say that the mistakes Lloyds made here caused disruption that lasted for several weeks and resulted in considerable distress and significant inconvenience.

I acknowledge that the trustees will strongly disagree with me, but having considered all the evidence and applied my own judgement, I consider that Lloyds has already done enough to resolve this complaint.

In addition, I am not going to order Lloyds to reopen the account at the centre of this dispute. I accept Lloyds' evidence that it no longer offers accounts of this type, and that it cannot reopen the previous account. That means the trustees will be put to the trouble of opening an account elsewhere, but I think the compensation that Lloyds has already paid is sufficient to cover that trouble and upset.

My final decision

My final decision is that I do not uphold this complaint against Lloyds Bank Plc.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 12 September 2024.

Laura Colman
Ombudsman