

The complaint

The trustees of a charitable trust which I'll refer to as D complain that Lloyds Bank Plc (Lloyds) have declined to pay interest on D's current account with the bank (the Account)

What happened

The background to this complaint is well known to the parties. So, I won't repeat it in detail.

Briefly, one of the trustees Mr D has told us that:

- The trustees have been longstanding customers of Lloyds during which time they have held the Account.
- In April 2022, the trustees cashed in certain investments that were held by D and paid the proceeds into the Account. That had the effect of increasing the balance significantly to an amount in excess of £327,000.
- The trustees acknowledge the bank hadn't ever paid interest on the Account. But they were largely unconcerned due to the relatively modest historic balance. Nonetheless the increase in the balance following the large deposit amplified what they regarded as an unfairness in the way the Account had been treated. They argued that if the bank was prepared to change its position and pay a relatively modest rate of interest on the Account, that would, in turn, generate an appreciable return that could be used by the trustees to benefit good causes.
- By way of a solution, Lloyds invited the trustees to open an interest earning savings account on behalf of D. But the trustees didn't think this was an acceptable solution.
- Lloyds, therefore, maintained their position and declined to pay interest on the Account. They said they took a business decision not to pay interest on such accounts and were unprepared to depart from that position.
- Unhappy with Lloyds' response the trustees referred their complaint to this service.

Our investigator didn't think the complaint should be upheld. She said decisions on which of their accounts are interest bearing are business decisions Lloyds are entitled to make and not ones, as a service, we can challenge. She said, she found no evidence suggesting the trustees were told the Account was interest bearing. Overall, therefore, in the circumstances of the case, she wasn't persuaded Lloyds had made an error or treated the trustees unfairly.

The trustees didn't accept the investigator's conclusions. On their behalf Mr D has made the following further comments – which I summarise:

- The bank is failing in its duty to operate a fair policy across its customer base. It is unfair that Lloyds should be allowed to pay interest on an account belonging to him

and yet refuse to pay interest on the Account. In effect therefore, there is a discrepancy in the service and treatment by Lloyds as between their account holding customers.

- Having another account running alongside the Account would mean extra administrative steps for the trustees to take in order to access D's funds. In other words, if funds were placed in the savings account and some of it was needed urgently to benefit a good cause, there could be a delay in the transfer of such funds over to the Account to be paid out. If the bank were prepared to reverse its position and pay interest on the Account, administratively, that would make matters much easier for the trustees to manage the affairs of D.

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.

My starting point is to consider whether Lloyds had given the trustees any undertaking they would pay interest on the Account. But I've seen no evidence to that effect. The terms and conditions of the Account which governs the relationship between the trustees and the bank makes no reference to interest being paid on it.

In fairness to the trustees, that is not the basis of their case. In other words that Lloyds reneged on an agreement to pay interest on the Account. They've made a broader point, rooted in what they regard as the fairness of the bank's overall position of paying interest on some of their accounts and not others. So, I've thought about that.

Decisions regarding the rates of interest, if any, that Lloyds ought to pay on their accounts, are a matter of commercial judgement on the bank's part. And generally speaking, it's not my role to interfere with that judgement. I'm not a regulator, so it's no part of my role as ombudsman to tell the bank which of its account it ought to pay interest. Against that background, what I can do is assess whether the bank has exercised its discretion fairly. In the circumstances of this case, I'm satisfied that it has, and I'll explain why.

It is Lloyds' case that they took a business decision not to pay interest on accounts of the same type as the Account. That leads me to conclude that the trustees are not being treated unfairly when compared to other customers within the same category. I have not been persuaded that Lloyds have acted unfairly towards the trustees even if in relation to accounts held by its personal customers like Mr D, commercially the bank has chosen a different approach which it is entitled to do.

I sympathise with the trustees' position that given the balance in the Account, a modest rate of interest would generate a return that could be used to benefit more good causes.

But I note that Lloyds did go some way towards meeting the trustees' concerns in that regard by suggesting an alternative account offering a return. That seems to me not an unreasonable way of resolving the trustees' primary concern regarding the lack of interest on the balance held with the bank.

I appreciate it is the trustees' position that this solution is less appealing. In particular, as they've argued, because it would mean having to move funds between accounts, meaning accessing D's funds would become less seamless administratively.

However, it is not clear to me that the extra administrative step that would be involved so outweighs the likely benefit if the trustees were to accept the bank's proposal. Ultimately that is a matter for the trustees. But overall, I've not been persuaded the bank has done anything wrong or more to the point that in the circumstances of this case that it has treated the trustees unfairly.

My final decision

For the reasons given above, my final decision is that I do not uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 17 November 2023.

Asher Gordon
Ombudsman