

The complaint

Mrs and Mr H complain that Lloyds Bank PLC allowed a payment to debit their account despite blocking payments on the account.

What happened

Mrs and Mr H say that they froze their debit cards and cancelled them as they believed a merchant would try to take payments that they had not authorised. Lloyds declined the merchants attempt to debit the account on seven occasions. But a transaction for a payment of £278.85 with a fee of £8.33 was paid to the merchant. Mrs H contacted Lloyds and once again requested no further payments to be taken from her cancelled card, but the merchant had scheduled another payment for £581.04. Mrs and Mr H made a complaint to Lloyds.

Lloyds partially upheld Mrs and Mr H's complaint and said it paid them £25 for poor service regarding raising a fraud claim for them. It said when Mrs H originally spoken with it, Lloyds said the reason the transaction had been successful despite the card freeze on overseas transactions, was because the merchant had processed the transaction from a United Kingdom (UK) subsidiary and as such the card freeze did not stop the payment. It said as per the terms and conditions of the card freeze, it can't guarantee that it will stop all transactions. Lloyds said as they willingly provided their card details to the merchant, and agreed to the merchant's terms and conditions, the payment was considered an authorised charge. Lloyds said it refunded the amount of £541.04, but if the retailer is able to prove that the payment was valid, any refund will be taken back. Mrs and Mr H brought their complaint to our service.

Our investigator did not uphold Mrs and Mr H's complaint. She said Lloyds did block overseas payment attempts. She said Mrs H gave the merchant authority to take a payment from her Lloyds card initially. Mrs and Mr H asked for an ombudsman to review their complaint. They made a number of points. In summary, they said Lloyds had no authority to become involved in this dispute, as they should have simply adhered to the explicit instructions not to pay the merchant, and they should have adhered to their instructions not to allow this payment to go ahead. They said the fact that they stopped random requests for different amounts proves that it realised there was an issue with these transactions and it was at the time adhering to their instructions, so they asked what made Lloyds eventually allow the payment to go ahead against their instruction. Mrs and Mr H raised points about a chargeback which was raised on the £278.85 transaction after their complaint was made to Lloyds also.

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.

I must make Mrs and Mr H aware that I'm unable to consider anything they've said about the £278.85 chargeback and how Lloyds have handled this, including Lloyds crediting the money back into their account, then re-debiting the money from their account. This is because these events occurred after Lloyds issued their final response to Mrs and Mr H in

June 2022. As such, Lloyds have not given me consent to address the additional issues Mrs and Mr H have raised about this. Mrs and Mr H would need to raise a complaint first, directly with Lloyds if they are unhappy about how the chargeback process was handled. So here, my decision will only be able to focus on the events which were documented in the final decision letter Lloyds issued in June 2022.

Mrs and Mr H have questioned what made Lloyds eventually go against their instruction after it had stopped random requests from the merchant originally. I've looked at the freeze which was put on the card. I can see that on 5 June 2022, there was a card freeze for transactions abroad, online and remote transactions. As the merchant had originally tried to process the payment from abroad, this is why several payments were rejected by Lloyds. Then the merchant changed location to a UK subsidiary, and the way they categorised the payment meant this wasn't covered by the card freezes and this is why the payment debited Mrs and Mr H's account.

Lloyds terms and conditions show that *"We are not responsible for any loss, cost or charge you incur if we allow or decline a transaction you request and authorise despite having set up a card freeze. For example, offline transactions that are not referred to us for prior authorisation or where a retailer incorrectly describes the type of transaction you are making so it doesn't match a card freeze you have set up."* Lloyds website regarding card freezes also shows *"We also rely on transactions being categorised correctly. In the rare case that this doesn't happen, we can't always stop the transaction through Card freezes"*.

So as it appears that the merchant incorrectly categorised the payment, this is why the payment debited from Mrs and Mr H's account as opposed to when it had been attempted previously from abroad. As Lloyds' terms and conditions and website show that they can't always stop transactions through card freezes, then I can't hold Lloyds responsible for the debit of the payment if the merchant has incorrectly categorised the payment, as this would be out of Lloyds control.

Lloyds were unable to raise the transaction as fraudulent as it says Mrs H willingly provided her card details to the merchant, and agreed to the merchant's terms and conditions, so the payment is considered an authorised charge. But it has admitted that it provided poor customer service in relation to this and paid Mrs and Mr H £25. Mrs H was on the phone for 1 hour 15 minutes before the line disconnected and she had to ring back. The compensation is in line with what we would expect it to pay here. So it follows that I don't require Lloyds to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs H and Mr H to accept or reject my decision before 18 August 2023.

Gregory Sloanes
Ombudsman