

The complaint

Mr P complains about Lloyds Bank PLC stopping his cheque and causing him a financial loss.

What happened

Mr P paid a £20,000 cheque from his Lloyds bank account to Building Society A to open an ISA.

Prior to depositing the cheque, Mr P visited a Lloyds branch to ensure there wouldn't be any problems. Mr P says he was informed the cheque would be successfully paid as his balance was sufficient and his signature was confirmed.

However, the cheque was subsequently flagged for a security check and later returned unpaid.

Due to the ISA 6 April 2023 deadline, Mr P had to quickly arrange to use funds from his savings account with Building Society A. Mr P explains the rules of this account meant he wouldn't be able to reinvest his £20,000 once he withdrew it. So, as this was his only option to set up his ISA he would lose out on the 2.45% interest rate the account earned.

Mr P complained to Lloyds. Lloyds said they didn't make an error when they cancelled the cheque. They explained they initially flagged the cheque for a security check because of its high value and attempted to contact Mr P. But, as they couldn't speak with him to confirm the validity of the payment, they returned the cheque.

Lloyds though did accept their branch staff should've made Mr P aware that the cheque could be stopped for a security check and wanted to put him back into the same financial position by offering to cover loss of interest. This was calculated to be £490, which was based on 1 year on £20,000 at 2.45%. They also offered £70 for the inconvenience caused.

Mr P was dissatisfied and complained to our service. Our investigator didn't uphold his complaint as she thought Lloyds' offer was fair and reasonable.

As Mr P remains dissatisfied, this case has now been referred to me to look at.

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'm not upholding this complaint and I'll explain why.

From reviewing the file, I'm satisfied that when Lloyds stopped Mr P's cheque they acted within their terms and conditions and in good faith to protect his account. However, I could understand Mr P's upset, stress and frustration here.

This is because it was an important transaction with a deadline, the cheque was payable to

himself, he visited the branch in advance of paying his cheque into an ISA, was led to believe the cheque would be paid successfully and can't see that Lloyds called him to prevent the cheque being cancelled.

Also, when he discovered the cheque was cancelled it was necessary for him to make other arrangements. And the only solution to secure his ISA was to move his funds from a savings account but, as that had a similar investment restriction, he still faced a loss of interest.

Lloyds accept they made an error and said:

"We want to ensure Mr P is put back into the same financial position by offering to cover loss of interest, even though the cheque wasn't paid due to genuine security check, as Mr P was led to believe the cheque would be paid successfully".

So, what's left for me to decide is whether the following redress offered by Lloyds is fair and reasonable to put this right:

- 2.45% interest for 1 year on £20,000
- £70 compensation

Assessing compensation isn't an exact science and our approach when making awards is detailed on our website and tends to be modest.

Lloyds accept that Mr P wouldn't have needed to withdraw £20,000 from his high interest savings account with Building Society A had it not been for an error on their part. And because of Building Society A account rules, he couldn't reinvest his funds in the same account in that year. However, Mr P feels Lloyds' interest offer is insufficient because he is likely to have had the opportunity of earning a greater amount of interest and, as an example, he cites interest rate increases.

I looked at Building Society A's interest rates and considered all the available information including the arguments Mr P set out in his written and verbal submissions. Having done so, I'm not persuaded that Lloyds' offer isn't fair or reasonable.

Mr P was in a position where after Lloyds cancelled his cheque, he still had the opportunity to invest £20,000 in a savings account that had a competitive interest rate – although he feels it would initially been less than 2.45%. So, I think the amount of interest he had the opportunity to earn on the £20,000, together with Lloyds' £490 payment, would've covered annual interest rate hikes. In addition, Mr P would have the option of earning interest on the £490. However, I appreciate any delay accepting Lloyds' offer would shorten this benefit.

So, as the £490 Lloyds offered would be in addition to the interest Mr P could've earned on £20,000, I'm satisfied it takes into account factors such as interest rate increases which I recognise have occurred in 2023.

On first look Lloyds' £70 compensation offer does appear low, however I consider it to be fair. I say this because Lloyds were entitled to stop the cheque, the offer is for inconvenience and the main cause of Mr P's upset, stress and frustration was his concern about lost interest. And, as explained above, I'm satisfied that Lloyds have addressed this in a way that covers his loss, allows for interest rate increases and time to find an alternative savings account.

So, whilst I appreciate Mr P will be disappointed, having considered all the above I'm not upholding this complaint.

My final decision

My final decision is that I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 19 January 2024.

Paul Douglas
Ombudsman