

The complaint

Mr K complains Lloyds Bank PLC (“Lloyds”) blocked his account in June 2021 and didn’t allow payments to be made from it to his loan account which adversely impacted his credit file.

To put things right, Mr K wants Lloyds to amend his credit file, and pay compensation for the distress and inconvenience this has caused.

What happened

Lloyds blocked Mr K’s account in June 2021 and sent him a text message to contact it. Mr K spoke to Lloyds over the phone at the end of July 2021, and in August 2021. He was told to go into one of Lloyds’ branches with photographic evidence of his identity.

Unhappy with Lloyds, Mr K complained. Lloyds didn’t uphold Mr K’s complaint, and in summary said:

- The account has been blocked and because of the length of time since it was applied, Mr K needs to go into one of Lloyds’ branches with photographic identification. The blocks will remain until Lloyds is able to confirm Mr K’s identity
- Notes on Lloyds’ systems show Mr K had called it before about the blocks and it had sent him a text message. So Lloyds didn’t agree Mr K wasn’t aware of the blocks

Mr K referred his complaint to this service. One of our Investigator’s looked into it, and they found:

- Lloyds are under numerous legal and regulatory obligations. Lloyds is required as part of its legal and regulatory obligations to carry out Customer Due Diligence. It’s been over two years since Lloyds first asked Mr K to visit a branch, but he hasn’t done so
- Lloyds’ request for Mr K to go into branch with his identity documents is reasonable and proportionate given the circumstances. There are no impediments to Mr K going into branch based on the information provided
- So Lloyds doesn’t need to transfer the funds into another nominated account as requested by Mr K

Mr K did not agree with what our Investigator said. He says he has been subjected to unfair and unjustified restrictions. And by Lloyds insisting he goes into a branch he has been denied access to his funds.

Mr K also says Lloyds have continued to operate his loan account without issue and not indicated it has concerns about that. Mr K adds that when Lloyds initially asked him to visit a branch it wasn’t feasible for him to do so because of the COVID pandemic. He is now living abroad, so Lloyds should conduct electronic and remote identification

As Mr K didn't agree, this complaint has now been passed to me to decide.

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've decided to not uphold this complaint. I know this will disappoint Mr K, so I'll explain why.

Banks in the UK, like Lloyds, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

Our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information Lloyds has provided is information we consider should be kept confidential.

Having looked at the information Lloyds have given me I'm satisfied it acted in line with its obligations when blocking Mr K's account. Mr K may want a more detailed explanation as to what concerns Lloyds had, but I am not aware of any obligation under which it must do so.

Lloyds say it messaged Mr K when it applied the blocks in June 2021. Mr K says he may have seen this but thought it might be related to a scam. I've also listened to calls in July 2021 and August 2021 between Mr K and Lloyds' staff members. In both calls he is told to come into branch with his identity documents. I note Mr K says he was in the UK in July 2021.

Mr K has never been into Lloyds' branch to date with his identity to discuss the blocks.

After carefully considering Lloyds' reasons for blocking the account and asking Mr K to visit its branch, I'm satisfied it is acting fairly. As I've said, Lloyds has several legal and regulatory obligations to observe, and by speaking to Mr K in this way, it would be acting in line with them.

Mr K says he isn't residing in the UK anymore, so Lloyds should seek to identify him in another way. This is something for Lloyds to consider. But based on what I've seen, and the circumstances Mr K has explained, I still think a face-to-face meeting in branch is a reasonable request.

I also note that Mr K never said anything about not being able to attend branch due to COVID in the calls made in July and August 2021. So I don't put much weight on his assertion that he was unable to do this.

Mr K says Lloyds' treatment is unfair as on one hand it has blocked his bank account but, on the other, continued to accept payments for his loan account with it. Mr K has an obligation to pay his loan, and he is doing so from another source to that of his Lloyds account – which Lloyds have concerns about.

Mr K also says Lloyds' actions have meant he missed some payments to his loan at the time. But I've already said Lloyds acted fairly, and with enough cause, to block his account. So it doesn't need to correct Mr K's credit file.

I'm also persuaded that Lloyds is acting in line with its obligations, and fairly by holding onto the funds in the account until it can start the process of speaking to Mr K, with his identity, in one of its branches.

Mr K says Lloyds' actions have caused him trouble and upset. I do appreciate this matter would've caused him some difficulty. But having looked at what's happened in this particular case, I can see no basis on which I might make an award against Lloyds given that I don't think it failed to properly follow its own procedures when it blocked Mr K's account.

So I'm not going to ask Lloyds to compensate Mr K for any trouble and upset this may have caused.

My final decision

For the reasons above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 3 November 2023.

Ketan Nagla

Ombudsman