

The complaint

A company I'll call A complains that Lloyds Bank PLC (Lloyds) blocked and closed its accounts without prior notice and without explaining why.

A is represented by its director, Mr C.

What happened

On 14 February 2022, Lloyds blocked A's accounts, meaning A couldn't make or receive payments. It then decided to close A's accounts and issued a letter to Mr C the next day advising him it would close all of his accounts. Lloyds' sister company, Lloyds Commercial Finance Limited (LCF) also withdrew A's invoice factoring agreement at the same time. In doing so, it withheld invoices totalling £170,000 until A settled its debt of £91,000 to LCF.

Mr C said these actions brought A to a halt and that it couldn't pay its staff or even continue to trade as a result. He told our service A was making profit of £1,200 per week, which he wants Lloyds to pay. He said this all caused him to miss a payment on A's Bounce Back Loan (BBL), which led to Lloyds registering adverse information against A's credit file. Lloyds had called in the BBL and asked A to repay it immediately.

Lloyds issued its final response to A's complaint on 23 August 2022. It apologised that Mr C was passed around when he tried to call to pay his BBL and paid £150 in compensation for the inconvenience that it had caused A. But it rejected the rest of A's complaints, without providing reasons.

Mr C brought A's complaint to our service, but our investigator didn't uphold it. She said she couldn't address A's complaint about its debt factoring agreement because our service doesn't cover complaints about LCF. And she felt Lloyds was entitled to block and close A's account in the manner it did. She noted Lloyds had removed the adverse entries caused by the later payments, and felt Lloyds had sufficiently compensated A for the trouble it experienced when Mr C called to make a payment against A's BBL.

Mr C didn't agree. He said he found out his accounts were closed by text message, and that he wasn't given advance warning or an explanation. He said he thought Lloyds' actions were motivated by discrimination on the grounds of his race and he said Lloyds had already admitted it was wrong in the final response letter. He gave further details of the impact this had on A, and asked for an Ombudsman to review the matter afresh.

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.

Firstly, I should say that I'm aware I've summarised the events of this complaint in far less detail than the parties, and that I've done so using my own words. The reason for this is that I've focussed on what I think are the key issues here, which our rules allow me to do.

This approach simply reflects the informal nature of our service as a free alternative to the courts. And I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome in this case. So, if there's something I've not mentioned, it isn't because I've ignored it, and I must stress that I've considered everything both Mr C and Lloyds have said, before reaching my decision.

Debt factoring agreement

In replying to our Investigator's findings, Mr C stressed he felt the Lloyds and LCF matters should not be separated because Lloyds offered the factoring agreement to A via LCF. However, I'm afraid I'm simply not able to consider A's complaint against LCF. The Financial Ombudsman Service can only consider complaints about companies or activities that fall within the scope of the rules under which we operate.

And unlike providing a bank account, providing factoring services isn't a regulated activity for the purposes of our rules. That means I don't have the authority to consider A's factoring complaint about Lloyd's sister company. So, this decision will focus solely on A's complaint about Lloyds and not LCF. And nothing I say in this decision relates to either A's relationship with LCF or its debt factoring agreement.

Account block

All banks in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. That sometimes means they need to restrict customers' accounts while they carry out a review.

So, in order to make an award in favour of Mr C, I would need to be satisfied that Lloyds acted unfairly or took actions it wasn't entitled to take. Having looked at the evidence it relied on in reaching its decision, I'm satisfied Lloyds acted in line with its legal and regulatory obligations when it blocked A's accounts. And that it was entitled to do so under the account terms and conditions that governed the relationship between Lloyds and A.

Lloyds isn't obliged to disclose the reasons for its decision to A, so I can't say it did anything wrong by withholding that information. Lloyds has shared its rationale with me, and having reviewed the same, I'm satisfied Lloyds acted reasonably in blocking the accounts and in keeping them blocked pending closure.

Mr C did complain that Lloyds impacted its credit rating by applying a default after A missed a payment on the back of the block. But I won't ask Lloyds to take any further action here because it has already arranged for the markers to be lifted.

Account closure

A bank is entitled to close an account with a customer, so long as it does so in a way that complies with the terms and conditions of the customer's account. S22 of the terms of business that governed the relationship between Lloyds and A provides for the circumstances in which Lloyds can end its relationship with A. It says Lloyds can do so by providing two months' notice, or without notice in certain circumstances.

Mr C says he didn't receive a letter confirming the closure, and only found out by text message. Lloyds says it sent a letter giving A two months' notice, and it's sent our service a copy of the letter it says it would have sent. It also sent our service a copy of a letter dated 15 February 2022, addressed to Mr C personally (i.e. not addressed to A) that said it had decided to close Mr C's account(s).

Although Mr C didn't receive Lloyds' letter, I'm satisfied he was given the appropriate notice. The copy letter Lloyds has sent our service gave 65 days' notice, which complies with s22 of the terms of business. And even if that letter wasn't sent, Mr C has acknowledged he received a text message to that effect and said he was then told the situation on the phone.

And while the other letter Lloyds sent our service wasn't addressed to A, it did say all of Mr C's accounts would be closed, and when considered against all of the evidence I've referred to above, I'm satisfied Mr C was aware A's accounts would be closed.

It's also worth noting that, while Lloyds says it gave two months' notice, I'm satisfied that it would have been entitled to close A's account without notice, based on the information it has provided our service. So even if no letter was issued, I'm not persuaded A suffered a loss because of a mistake by Lloyds. And I say that because I'm satisfied A wasn't entitled to advance notice, so I can't reasonably tell Lloyds to compensate A for losing out on notice it wasn't entitled to in the first place.

I must stress that what I've said above is based on the particular circumstances of this particular complaint. And that none of this reasoning applies to A's factoring agreement, because of course I'm not assessing A's agreement with LCF, only his agreements with Lloyds.

I appreciate it will be frustrating for Mr C that Lloyds won't tell him why it has closed his accounts, but Lloyds is under no obligation whether contractual or otherwise to disclose its rationale. And I hope Mr C can take some comfort from the fact that I have independently reviewed the evidence Lloyds has relied on in reaching my decision. If I were not satisfied Lloyds was entitled to take such actions, I would have upheld A's complaint. But I'm sorry to say that's not the case on this occasion.

I don't underestimate the impact this had on A, but I can't ask Lloyds to compensate A in circumstances where it took actions it was perfectly entitled to take. And while Mr C says Lloyds has already accepted it acted wrongly, I can see from its final response letter that it was referring solely to the poor service Mr C received when he called to make a payment against A's BBL, and not to any other matters. Indeed, it expressly stated it was rejecting A's complaint about the closure of A's accounts.

Discrimination

Finally, Mr C told our investigator he thought Lloyds' actions were motivated by discrimination on the grounds of his race. In terms of discrimination, it's not our role to say whether a business has acted unlawfully or not – that's a matter for the Courts. Our role is to decide what's fair and reasonable in all the circumstances. In order to decide that, however, we have to take a number of things into account including relevant law and what we consider to have been good industry practice at the time.

So, although it's for the Courts to say whether or not Lloyds has breached the Equality Act 2010, we're required to take the Equality Act 2010 into account, if it's relevant, amongst other things when deciding what is fair and reasonable in the circumstances of the complaint.

With that in mind, I've thought about whether or not Lloyds has acted in a fair and reasonable way in all the circumstances of this complaint. And for all of the reasons I've set out above, I'm satisfied that it has, and that its actions were motivated by complying with its legal and regulatory obligations. I recognise that Mr C is unhappy with the way Lloyds treated him, but I'm satisfied it acted appropriately in its investigation, and in the actions it took following that investigation. And I've seen nothing to suggest its actions were motivated

by Mr C's race.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask A to accept or reject my decision before 10 April 2024.

Alex Brooke-Smith
Ombudsman