

## **The complaint**

Mr P complains that Lloyds Bank PLC unreasonably closed his business accounts and called in their lending. He'd like the accounts reinstated.

## **What happened**

Mr P has appointed representatives, but for ease of reading, in this decision I'll only refer to Mr P. He held several business accounts with Lloyds – including a current account with an overdraft limit of £100,000, and business loans. In late 2021 he was convicted of a criminal offence and jailed.

In February 2022 Lloyds wrote to him to say they would be closing his current account in 90 days' time. They said this was because of a recent criminal conviction he'd received. The letter also confirmed that the overdraft limit would need to be repaid, as well as the value of the loans and an associated break cost.

In May 2022 the accounts closed, and Lloyds issued formal demands for the outstanding debts of approximately £260,000.

Mr P complained to Lloyds about the decision to close his accounts. The bank responded to say they had made the commercial decision to close the account but did not need to expand upon their reasoning. They felt they had given ample notice of the closure. As the account was overdrawn when it closed, they had passed the debt on to their recoveries department.

Unhappy with this answer Mr P referred his complaint to our service. One of our investigators looked into what happened but didn't think Lloyds had been unreasonable. They said the bank were entitled to close the account, in line with their terms. They also felt there wasn't an error in deciding to call in the overdrafts and loans. They didn't see that Lloyds needed to do anything further.

Mr P disagreed with this. As no agreement could be reached the complaint has 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.

### *Account closure*

Generally, a bank will have broad commercial discretion in deciding who they wish to provide accounts to – in particular, commercial accounts which are supposed to be used for solely business purposes. It would be rare that our service would say that an account must be reopened or continue to be serviced, unless there is very good reason.

The terms of Mr P's business account allow Lloyds to close the account by providing at least two months' notice. This is in line with standard industry practice. But here Lloyds gave Mr P 90 days' notice – more than they were required to do. Mr P was incarcerated at the time, but my understanding is that he had people managing his affairs for him. I'm satisfied the notice period given was reasonable and would allow time to make alternative banking arrangements.

Lloyds aren't under any obligation to explain why they've decided to close an account – although the closure notice here makes specific mention of his conviction. In their submissions to our service Lloyds have said this shouldn't have been included and apologised for this. They've declined to discuss their full reasoning with Mr P, which is in line with their terms for business banking.

The bank had provided their reasoning to our service. The rules of our service allow us to treat certain evidence in confidence if the ombudsman considers it appropriate to do so – such as if this information is commercially sensitive. In this case, I am satisfied Lloyds' reasoning should remain confidential, so I'm sorry to Mr P that I won't be able to detail it in full here. I'm satisfied that the closure was not solely down to his conviction – and that Lloyds' concerns were valid. But I agree the closure notice gives a misleading impression of the reasoning.

Overall, I'm not persuaded that the bank were unreasonable in their decision to close Mr P's business account. I'm satisfied this was a legitimate commercial decision that they are entitled to make. Adequate time was given to make any alternative arrangements.

### *Calling in of the overdraft*

The terms of the overdraft are that the full amount is repayable on demand. This is also highlighted in the template of the overdraft renewal letters Lloyds have provided to our service. So, Mr P ought reasonably to have been aware that the bank could call in the overdraft at any point.

In this case Lloyds gave 90 days' notice – in line with the account closure notice. This is reasonable – considering the overdrawn balance on the account, had it been removed immediately it likely would have made Mr P's account unusable, as Lloyds simply wouldn't make any payments out, and any payment in would just be applied to the outstanding debt balance.

I consider Lloyds to have been more than fair in giving the full 90 day notice period before asking for repayment of the overdraft. Once this notice expired, Lloyds have asked for the repayment, which I don't consider unreasonable.

### *Calling in of the business lending*

The notice to close sent to Mr P also confirmed that his loans will need to be repaid by the closure date as well. Reviewing the terms of the loan agreements, they can only be called in when an "event of default" occurs – and it goes on to list several events that would be considered to be events of default.

One is not having a servicing account for the loan – which hadn't happened at the point the loans were called in, as the current account was still running. But pragmatically this seems to be in anticipation of the closure of the business current account. I'm satisfied this would lead to an event of default, and I've seen nothing to suggest alternative arrangements were made for a servicing account during this notice period. It seems this would be a reasonable period for alternative lending arrangements to be made. Lloyds have been fair in providing this notice.

At the expiry of the notice, I don't consider it unreasonable that Lloyds asked for repayment of the outstanding balances. I see they've provided the appropriate notices, and formal demands.

### *Summary*

I'm satisfied that Lloyds' decision to close Mr P's business account and call in the business lending was a legitimate decision that the bank have the commercial discretion to make. I have considered Mr P's submissions in relation to bank accounts for ex-offenders. But as mentioned above I'm satisfied that his conviction isn't the sole reason for the closure of his business accounts, even if this is the impression the closure notice will have created.

I'm also mindful that the schemes for ex-offenders referred to are for personal accounts. The accounts I've been asked to consider are business accounts for Mr P's commercial enterprises, so their purpose is distinct from facilitating day-to-day living and expenses.

Lloyds have decided they do not wish to provide business banking services to Mr P any further, and I don't see that as unreasonable. It then follows, for the reasons given above, that Lloyds are entitled to ask for their lending to be repaid.

### **My final decision**

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask A to accept or reject my decision before 20 May 2024.

Thom Bennett  
**Ombudsman**