

The complaint

Mr M complains that Lloyds Bank PLC closed his accounts without providing an explanation. Mr M says this caused him stress, affected his health and impacted his credit score.

What happened

The detailed background of this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr M opened two accounts with Lloyds in July 2023 and switched his direct debits across from his old bank.

In August 2023, following an internal review, Lloyds decided to close Mr M's bank accounts and wrote to him giving him two months' notice that he'd need to make alternative banking arrangements. During the notice period Mr M had to attend a branch to obtain access to any funds in his accounts.

Mr M complained to Lloyds and said the closure of the accounts meant he would struggle to open a bank account elsewhere and his credit score would be impacted, which he said would damage his ability to obtain a mortgage and credit in the future. Mr M also said that his mental health and long term health condition had worsened due to the stress of Lloyds closing his accounts. Mr M said he can't think of any reason why Lloyds wouldn't want him as a customer. So, he believes Lloyds has treated him unfairly when it closed his accounts.

In response, Lloyds said it hadn't done anything wrong and following a review Mr M's accounts said that it no longer wanted to provide him with banking facilities and that it wasn't obliged to provide him with an explanation. Lloyds said it had closed the account in line with the terms and conditions. And that Mr M could access his closing balance by visiting a branch, which at the time was just over £7.

Unhappy with this response, Mr M brought his complaint to our service. He said Lloyds had treated him very unfairly and that he hadn't breached any of the terms and conditions of the accounts. So, he wants to know why Lloyds closed his accounts. He explained that as a result of Lloyds closing his accounts, he suffered increased headaches and falls. He also said that he visited branches in excess of twenty occasions trying to gain access to his closing balance and find out why the bank was closing his accounts, but staff couldn't locate his account and didn't help him.

One of our investigators looked into Mr M's complaint and asked Lloyds to provide more information about why it had closed Mr M's accounts. Lloyds provided more information about the reasons it closed Mr M's accounts. The investigator reviewed this and said that she didn't think Lloyds had treated Mr M unfairly when it closed his accounts. She also alerted Lloyds to the problems Mr M was having so that he could get his funds when he next visited the branch. The investigator also said that she wasn't able to hold Lloyds responsible if his credit score had dropped and that the terms and conditions set out that Lloyds would share information with credit reference agencies.

Mr M disagreed. He said Lloyds had abused him by closing his accounts. He said when he went to branch, he couldn't get his closing balance.

As no agreement could be reached the matter has come 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.

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focused on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. 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. But I have read all of Mr M's submissions.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks and financial businesses 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 that we considered should be kept confidential. This means I haven't been able to share a lot of detail with Mr M, but I'd like to reassure him that I have considered everything.

Closure of Mr M's accounts

As the investigator has already explained, Lloyds has important legal and regulatory responsibilities to meet when providing accounts to customers. Those obligations are ongoing and don't only apply when an account is opened. They can broadly be summarised as a responsibility to protect people from financial harm and to detect and prevent financial crime. That sometimes means banks need to review, or in some cases go as far as closing customers' accounts. And that's what has happened here.

I've considered the basis for Lloyds' review, which I find was legitimate and in line with its legal and regulatory obligations. So, I'm satisfied Lloyds acted fairly and reasonably when it completed its review of Mr M's accounts. The end result of the review was that Lloyds decided they didn't want to provide banking facilities to Mr M anymore and issued the notice to close in August 2023.

I've next gone on to consider whether Lloyds acted fairly when it closed Mr M's accounts. The terms and conditions of Mr M's accounts set out that Lloyds can close the accounts by providing two months' notice. And in certain circumstances immediately. In this case I can see that Lloyds wrote to Mr M on 8 August 2023, giving him the full notice period. However, Lloyds blocked Mr M's accounts and he was only able to access the money in his account by visiting a branch. So, I consider Lloyds closed Mr M's account immediately since he wasn't able to use the account fully following the block. For Lloyds to act fairly here they needed to meet the criteria to apply their terms for immediate closure – and having looked at these terms and all the evidence that the bank has provided, I'm satisfied that Lloyds did. So, it was entitled to close the accounts as it's already done.

I've gone onto consider Lloyds's reason for closing the accounts. In doing so, I appreciate that Lloyds is entitled to set their own policies and part of that will form their risk criteria. It is not in my remit to say what policies or risk appetite Lloyds should have in place. I can

however, while considering the circumstances of individual complaints, decide whether I think customers have been treated fairly. As long as they reach their decisions fairly, it doesn't breach law or regulations and is in keeping with the terms and conditions of the account, then this service won't usually intervene. They shouldn't decline to continue to provide banking services without proper reason, for instance of unfair bias or unlawful discrimination. And they must treat new and existing customers fairly.

Lloyds has provided some further details of its decision making process, I'm sorry but I can't share this information with Mr M due to its commercial sensitivity. But I've seen nothing to suggest Lloyds's decision around closing Mr M's accounts was unfair. On balance when considering Lloyds's wider regulatory responsibilities and all the information available to me, I find Lloyds had a legitimate basis for closing Mr M's accounts and not tell him why. So, I won't be asking Lloyds to reopen the accounts or to pay Mr M any compensation.

I understand of course why Mr M wants to know the exact reasons behind Lloyds' decision, other than what he's previously been told. I can see that Mr M has asked Lloyds to explain itself on several occasions. I'm also sorry to hear that Lloyds decision has made Mr M feel unwell. But Lloyds is under no obligation to tell Mr M the reasons it no longer wants him as a customer. So, I can't say it's done anything wrong by not giving Mr M this information. And it wouldn't be appropriate for me to require it do so.

I note that Mr M has said he has had trouble gaining access to his closing balances. The investigator has contacted Lloyds so that when Mr M next visits a branch he can gain access to the remaining money in his account. I can see that Mr M has told our investigator that he is happy with this arrangement, so I will make no further comment on this.

Impact to Mr M's credit score

Mr M has said that Lloyds has carried out quite a few hard credit searches as part of his account applications. And now that Lloyds have closed his accounts' he will need to open another bank account which will lead to further searches. Mr M says this will cause his credit score to drop which will make it harder for him to obtain credit and a mortgage in the future.

Mr M applied for new accounts with Lloyds. When he did so, Lloyds has said that Mr M would have been told in the application process that a credit search would be carried out. I can't say for sure what Lloyds told Mr M. And I can't say whether Mr M fully understood that a credit search was involved in the account opening process. But the account terms and conditions make it clear that information will be shared with credit reference agencies and as Lloyds followed its usual process by carrying out searches as part of the application process, I do not find it has done anything wrong or treated Mr M unfairly.

Mr M is worried that his credit score has dropped as a result of the credit searches. And fears it will drop further as a result of more searches now that Mr M has to look for another account and go through other application processes with different banks. But Lloyds doesn't determine the impact its reporting of a credit search will have on a credit score and Mr M's credit score will be affected by many different factors. As Lloyds reported accurate information, that is that a credit search was undertaken, I do not find Lloyds treated Mr M unfairly, and require Lloyds to remove the searches from Mr M's credit report.

In summary, it's clearly caused Mr M inconvenience and upset when Lloyds closed his accounts. I can also understand that he is worried about his financial future and will have to go the trouble of finding another bank account. So, I realise Mr M will be disappointed by my decision. But having looked at all the evidence and circumstances of this complaint, I can't

say Lloyds treated Mr M unfairly when it reviewed and closed his accounts. So, I won't be asking Lloyds to do anything to resolve his complaint.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 30 July 2024.

Sharon Kerrison
Ombudsman