

The complaint

S, a limited company complains Lloyds Bank PLC provided a poor service and subsequently closed its business account.

S is being represented in this complaint by Mr P, a director of S.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points.

In December 2021 Lloyds received a request to remove a signatory for the account of S. Lloyds explained that as this individual was the sole director and signatory on the account they could only be removed if a new signatory was added. A request was then received in August 2022 for a blank mandate variation form. This was sent, but no form was returned at this time. Around this time a new debit card was also requested from Lloyds, with an old card being cancelled and a new one issued in December 2022.

In June 2023 Lloyds received a mandate variation form. Following this request, Lloyds carried out a review of the request and the account. This review resulted in Lloyds' decision to end its relationship with S.

Lloyds sent S a notice to close letter on 10 August 2023. This provided S with two months' notice of the closure and explained that it would need to make alternative banking arrangements. The final balance on the account of £243.47 was issued to S via cheque on 18 October 2023.

Mr P raised a formal complaint. As part of this complaint, he explained that S had received a poor service from Lloyds and the closure of the account seriously affected the business and its ability to apply for mortgages. To resolve the complaint Mr P said Lloyds should reopen the account and pay £5,000 in compensation for the losses incurred by S.

Lloyds reviewed the concerns Mr P raised and said that it had decided to close S' account in line with the account terms and conditions. It explained it didn't need to give further information as this was a commercial decision.

Mr P remained unhappy and referred the complaint to our service. An Investigator reviewed the complaint and in summary found:

- The account had been closed in line with the account terms and conditions.
- Lloyds doesn't need to give Mr P the reasons for the account closure, and it can make its own commercial decision on who it wants to have as a customer.
- There wasn't evidence to support his claim that Lloyds had provided a poor service.

Mr P disagreed with the Investigator's findings, explaining that the service provided by Lloyds in the years prior to closure had a serious and negative impact on S. As no

agreement could be reached, the case has been referred to me – an ombudsman – for a final decision.

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 restriction and closure

As a UK financial business, Lloyds is strictly regulated and must take certain actions in order to meet its legal and regulatory obligations. It's also required to carry out ongoing monitoring of an existing business relationship. That sometimes means Lloyds needs to restrict, or in some cases go as far as closing, customers' accounts.

Lloyds has explained and given me information to show why it reviewed S's account. Having carefully considered this, I'm satisfied Lloyds took this action in line with the obligations it must adhere to.

Lloyds is entitled to close an account just as a customer may close an account with it. But before Lloyds closes an account, it must do so in a way, which complies with the terms and conditions of the account.

The terms and conditions of the account, which Lloyds and S had to comply with, say that it can close the account by giving him at least two months' notice. And in certain circumstances it can close an account immediately or with less notice. Lloyds provided S with two months' notice and in this period S was able to use the account as normal. Having looked at the information given to me by Lloyds, I'm satisfied it was entitled to close the account in the way that it did.

I know Mr P would like an explanation as to why Lloyds took these actions. But it isn't under any obligation to provide this. I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from regulated 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 we consider should be kept confidential. But I can assure Mr P that having reviewed it, Lloyds' decision to close S's account was fair and reasonable in the circumstances.

Service issues and compensation

Mr P says Lloyds provided a poor service which had a detrimental impact on S. Mr P explains the changes to the mandate for the account weren't properly actioned and a mortgage application has fallen through due to Lloyds' delays and poor service.

I've considered the timeline of events carefully. I can see that Lloyds received request for changes to the account and a new debit card application. In both instances Lloyds explained what further information was needed and the next steps that needed to be taken. As no further information or response was received from the relevant mandate holder the requests couldn't be actioned. Based on the evidence I've seen I can't see that Lloyds provided a poor service.

Mr P also explained that the relationship manager didn't provide up to date information or deal with his requests. Lloyds says this wasn't possible as Mr P was not a Key Account Person, which meant it wasn't able to discuss matters relating to S with him. I appreciate Mr

P's frustration with this, but I think this is reasonable given the regulatory and legal obligations Lloyds must adhere to.

I've also thought about the compensation Mr P thinks Lloyds should pay. I do appreciate the closure of the account would've caused him some difficulty for S. The closure of the account would inevitably involve a level of inconvenience due to the alternative arrangements needed. However, as I am satisfied Lloyds reviewed and closed the account for legitimate reasons, in line with the account terms I don't think it can be held responsible for any losses incurred by S. This also includes any lending that fell through as a result of the closure.

I know this will not be the outcome Mr P was hoping for, but I am satisfied Lloyds acted reasonably in closing S's account. I hope my decision provides some clarity around why I won't be asking Lloyds to take further action.

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 S to accept or reject my decision before 23 October 2024.

Chandni Green
Ombudsman