

The complaint

Mr S complains that Lloyds Bank PLC closed his account without providing an explanation. He wants Lloyds to pay him compensation for the trouble and upset he suffered as a result of Lloyds closing his account.

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 S had a basic bank account with Lloyds.

In April 2023, Lloyds reviewed Mr S's account. Following its review, Lloyds decided to close Mr S's account. The bank wrote to Mr S and gave him 60 days' notice to make alternative banking arrangements.

Mr S says he discovered Lloyds had decided to close his account after he was unable to access his account via his banking app. Mr S contacted Lloyds to find out why he couldn't see his account and when he did so, Lloyds said it had restricted his account because it had decided to close it. At the time, the balance of Mr S's account was zero.

Mr S wasn't happy to learn that Lloyds no longer wanted him as customer, and he asked Lloyds to explain why it was closing his account. Lloyds said it wasn't willing to reopen Mr S's account and had closed it in line with the terms and conditions. Lloyds also said that it wasn't obliged to provide Mr S with the reasons behind its decision.

Mr S complained to Lloyds. In response, Lloyds said it hadn't done anything wrong and explained that it regularly reviews accounts which includes looking at how an account is managed, and information held with credit reference agencies. And after a completing a review of M S's account it had decided to close it. Mr S was very upset by Lloyds' decision. He said he can't think of any reason why the bank would want to close his account. He suspects Lloyds are discriminating against him on the basis of his sexuality and poor mental health, which he'd disclosed when he opened the account. So, he said Lloyds are homophobic, and its actions are highly offensive.

Mr S brought his complaint to this service. Mr S said that the whole experience had been upsetting and stressful. He wants Lloyds to explain why it closed his account and pay him compensation for the upset he has been caused the trouble he has had to go to reorganise his finances.

One of our investigators reviewed the complaint. She thought Lloyds hadn't done anything wrong when it closed Mr S's account. She said they'd acted in line with the terms and conditions of the account. And she explained that Lloyds didn't have to provide Mr S with the reasons that sat behind its decision to close the account.

Mr S disagreed. He wants to know why Lloyds closed his account. He maintains that Lloyds discriminated against him when it closed his account. He wants compensation for the hurt and upset he was caused.

As no agreement could be reached the matter has come to me to decide. After reviewing all of the evidence and circumstances of the complaint I came to the same conclusion as the investigator, but I wanted to expand on the reasons for doing so. I issued a provisional decision in which I said the following:

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from financial businesses as confidential for a number of reasons – for example, if it contains information about other customers, security information or commercially sensitive information. It's then for me to decide whether it's fair to rely on evidence that only one party has seen. It's not a one-sided rule; either party to a complaint can submit evidence in confidence if they wish to, and we'll then decide if it's fair to rely on it. Here, the information is sensitive and on balance I don't believe it should be disclosed. But it's also clearly material to the issue of whether Lloyds has treated Mr S fairly. So, I'm persuaded I should take it into account when deciding the outcome of the complaint.

Banks have important legal and regulatory obligations they must meet when providing accounts to customers. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime. It's common industry practice for firms to conduct a review on a customer and/or the activity on an account and there are a number of reasons that may prompt a review. The terms of Mr S's account also permit Lloyds to review an account at any time. Following a review, banks sometimes decide to close accounts. And that's what happened here.

In this instance the terms of Mr S's account say that in certain instances Lloyds can close the account with immediate notice and by providing two months' notice to a customer. And it doesn't have to provide a reason for doing so. Lloyds also isn't obliged to reveal the reason(s) for reviewing Mr S's account. But I've considered the basis for the review, including the information Lloyds has provided, which I find was legitimate and in line with its legal and regulatory obligations. So, whilst I accept Mr S was upset to learn his account had been reviewed and was offended to think he may be a risk to the bank, I can't say Lloyds has done anything wrong when it decided to review Mr S's account.

I've next gone on to consider whether Lloyds acted fairly when it closed Mr S's account. Lloyds is entitled to end their business relationship with a customer, as long as this is done fairly, doesn't breach law or regulations and is in keeping with the terms and conditions. I should also add that each financial institution has its own criteria and risk assessment for deciding whether to continue providing accounts and providing an account to a customer is a commercial decision that a financial institution is entitled to take. That's because it has the commercial freedom to decide who it wants as a customer. And unless there's a good reason to do so, this service won't usually say that a bank must keep a customer. But they shouldn't close an account without proper reason, for instance of unfair bias or unlawful discrimination. And they must treat new and existing customers fairly.

Mr S had a basic bank account with Lloyds. These types of current account are intended for people who don't have and don't qualify for standard current accounts. When closing a basic account, along with the terms and conditions of the account, Lloyds also had to consider the provisions of the Payment Accounts Regulations 2015 (PAR's 2015). Amongst other things they set out when an account provider can close a basic bank account. Closure is only permitted in certain circumstances – one of them involves the conduct of the account and the way it is being run. Another reason is if the consumer has access to another payment

account in the United Kingdom which allows the consumer to make use of services offered by a basic bank account and was opened after the payment account with basic features.

From looking at Mr S's basic account statement I can see that there are a number of transactions coming into the account from other accounts that Mr S appears to have – I've noted at least two other accounts. Because of this I'm satisfied that Lloyds closed Mr S's account fairly and it did so in line with the PAR's 2015 and terms of the account.

I've also considered Lloyds's reason for closing the account. 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.

Lloyds has provided some further details of its decision making process, I'm sorry but I can't share this information with Mr S due to its commercial sensitivity. But I've seen nothing to suggest Lloyds's decision around closing Mr S'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 S's accounts and not telling him why. So, I don't find Lloyds treated Mr S unfairly when it closed his account. And I won't be asking Lloyds to reopen his account.

I know Mr S says that he is a victim of discrimination by Lloyds. He believes Lloyds closed his account on the grounds of his sexuality and mental health condition. While I can appreciate this is his perspective, it is not my role to decide whether discrimination has taken place – only the courts have the power to decide this. I have, however, considered the relevant law in relation to what Mr S has said when deciding what I think is the fair and reasonable outcome. Part of this has meant considering the provisions of The Equality Act 2010 (The Act). And after looking at all the evidence, I've not seen anything to suggest that this was the case. So, I haven't found that Lloyds decided to close the account for an improper reason.

While I appreciate how Lloyds closing his account made Mr S feel and his perspective on why Lloyds took the actions it has, I have to consider if other customers in similar situations would have been treated the same way. Having looked at all the evidence, I haven't seen anything to show that Lloyds would have treated another customer with similar circumstances any differently than Mr S. So, I can't say Lloyds treated Mr S unfairly because of his sexuality or medical condition.

I understand Mr S wants Lloyds to explain the reason it closed his account. It can't be pleasant being told you are no longer wanted as a customer. But Lloyds is under no obligation to tell Mr S the reasons it no longer wants him as a customer as much as he'd like to know. So, I can't say it's done anything wrong by not giving Mr S this information. And it wouldn't be appropriate for me to require it do so.

In summary I realise Mr S will be disappointed by my decision. But having looked at all the evidence and circumstances of this complaint, I can't conclude that Lloyds have treated Mr S unfairly when it closed his account. So, I won't be telling Lloyds to do anything to resolve Mr S's complaint.

Neither party responded to my provisional decision.

Now both sides have had an opportunity to comment I can go ahead and issue my 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.

As neither party has provided anything new for me to consider, I see no reason to depart from my provisional findings. I remain of the view that this complaint should not be upheld for the reasons set out in my provisional decision, which are repeated above and form part of this decision

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 S to accept or reject my decision before 10 April 2024.

Sharon Kerrison
Ombudsman