

The complaint

Miss O complains Lloyds Bank PLC (“Lloyds”) closed her accounts and loaded a fraud marker against her.

What happened

The details of this complaint are well known by both parties, so I won’t repeat them again here in detail. Instead, I’ll focus on setting out some of the key facts and on giving my reasons for my decision.

In September 2023, following an internal review, Lloyds notified Miss O that it was closing her personal accounts in two months’ time. Miss O complained. Lloyds didn’t uphold Miss O’s complaint. Miss O then referred her complaint to this service.

One of our Investigator’s looked into Miss O’s complaint. In summary, they found:

- Lloyds hasn’t provided sufficient information to show it closed Miss O’s accounts fairly, reasonably, or in line with its terms and conditions
- The accounts don’t appear to have been blocked during the notice period as there was activity on them. But even if they were, Lloyds doesn’t need to pay Miss O 8% simple interest for the deprivation of funds, as the main account was overdrawn, and the rest held nominal balances
- There would have been a level of inconvenience caused to Miss O, so Lloyds should pay her £50 compensation

Lloyds agreed with what our Investigator said. Miss O didn’t agree and reiterated that Lloyds had applied a CIFAS marker against her unfairly.

Another of our Investigator’s then looked into Miss O’s complaint. They agreed with what the previous Investigator recommended. But they explained why in more detail. Some of the key points they made were:

- Considering the use and nominal balances of the accounts, and that regular payments like direct debits continued to be made during the notice period, £50 is fair compensation for the limited impact Lloyds closing the accounts had on Miss O
- The CIFAS marker was recorded because of Lloyds’ perception of Miss O’s role as director for a limited company. Because of this, and the rules that govern how this service operates, we can’t consider this point
- Though Miss O was a customer of Lloyds, her complaint about the CIFAS marker didn’t arise out of her personal relationship with Lloyds – it was to do with what happened in connection to a limited company she was a director of. So this service can’t look into the application of the marker on Miss O’s complaint about her personal accounts

Miss O didn't agree with what the second Investigator said too. In short, she feels that it is grossly unfair and unjust that this service can't consider her complaint about the CIFAS marker.

As there was no agreement, this complaint was passed to me to decide. I then sent both parties my provisional decision in which I set-out what I was planning on deciding. For reference, here is what I said:

Provisional decision

"CIFAS marker"

The application of the fraud marker is Miss O's main complaint point, so I'll turn to it first.

The rules that set-out what this service can consider are set-out in DISP in the FCA's handbook. This includes what constitutes an eligible complaint. Our Investigator has correctly explained this service's ability to consider this complaint point and has done so in detail. So I won't reiterate this here in the same detail.

Miss O's complaint about the CIFAS marker doesn't arise from her previous personal relationship with it. The information she's obtained from CIFAS shows the adverse marker was applied due to her role as a company director for a limited company – which is an entity separate from her in law.

In other words, it was applied in connection to a limited company she is the director of. That means we can't consider her complaint about the marker given this complaint is about her personal accounts.

I can understand why Miss O feels upset and frustrated about this. I also don't underestimate why she feels her ability to get a fair hearing is prevented by this. But as our Investigator explained she can approach CIFAS directly. She may also opt to seek independent legal advice about this.

I must follow the rules that apply to this service, and that is what I've done here in concluding this isn't a complaint point we have the power to consider.

Account review and closures

I can now turn to complaint points we do have the power to consider.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I'm planning to not uphold this complaint. I'll explain why.

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 focussed 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. I do stress however that I've considered everything Miss O and Lloyds have said before reaching my decision. It's important to note, my decision focuses on Lloyds' actions in

regard to Miss O's personal accounts.

Banks in the UK, like Lloyds, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

Lloyds has provided me with information to show why it reviewed Miss O's accounts. Having carefully considered this, I'm satisfied it acted in line with the obligations it must follow.

Having looked at the activity on the accounts and what Lloyds' internal notes say, I'm persuaded Miss O had access to her accounts before they were closed.

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 Miss O had to comply with, say that it could close the accounts by giving her at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

Lloyds gave Miss O at least two months' notice that it was closing her accounts. From the information I've been provided I'm satisfied Lloyds has acted fairly, and in line with the terms of the account in doing so.

I note Miss O would like a detailed explanation of why Lloyds acted in the way it did. But Lloyds is under no obligation to explain why it took the actions it did.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks 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.

So, as I don't think Lloyds has done anything wrong in closing the accounts in the way it has, I won't be asking it to compensate Miss O for any distress and inconvenience this has caused her"

I then asked both parties to respond to me. The deadline for responses has now passed, and neither party has made any submissions. I will now decide this complaint.

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.

Having done so, and for the reasons in my provisional decision – as above – I have decided not to uphold this complaint.

My final decision

For the reasons above, I have decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 17 June 2024.

Ketan Nagla
Ombudsman