

The complaint

Mr O complains Lloyds Bank PLC (“Lloyds”) blocked and closed his accounts. And have likely done so due to an error, and by failing to properly investigate fraud against a limited company account he was a director of. He adds that Lloyds also failed to pay his direct debits despite saying it would do so causing his credit file to be adversely affected.

Mr O says Lloyds’ actions have caused him and his family significant distress and inconvenience.

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.

This complaint only deals with Mr O’s personal accounts and not with any complaint against a separate legal entity, a limited company, that he was a director of. That complaint is being handled separately at this service.

Mr O should also note that his more recent complaint points about his credit card and loan accounts being closed by Lloyds, and any other acts or omissions flowing for that, won’t form part of this decision. That’s because he needs to raise it with Lloyds first.

In December 2023, Lloyds blocked Mr O’s accounts. Mr O queried this, and it was unblocked for a day and then the blocks were reinstated. Lloyds explained that it hadn’t made a mistake in unblocking them when reapplying the blocks. Lloyds notified Mr O it had decided to close his accounts in two months’ time, and the accounts would remain blocked.

Unhappy about Lloyds’ actions, Mr O complained. Lloyds upheld Mr O’s complaint in part. In summary, it made the following key points:

- Lloyds didn’t do anything wrong in the way it closed Mr O’s accounts.
- Lloyds made an error in not paying Mr O’s direct debits when blocking the accounts. Because of this, Lloyds will pay Mr O £500 compensation. That’s because it erroneously told him direct debits would be paid until the closure of the accounts.
- Lloyds sent Mr O a letter to show as evidence that Lloyds made an error for third party companies, who may have registered a late payment marker against him, for it to be removed.

Mr O referred his complaint to this service and added that a third-party bank application he made was declined due to an adverse marker which he believes Lloyds applied. One of our Investigator’s looked into Mr O’s complaint, and they recommended it wasn’t upheld. Their key findings were:

- Lloyds closed Mr O’s accounts in line with its obligations and terms. Lloyds investigated Mr O’s concerns thoroughly. Lloyds doesn’t have to provide a reason.

- Lloyds gave Mr O 65 days' notice in line with the terms and conditions – and this gave him time to make alternative banking arrangements.
- Lloyds apologised for its error in regard to the unpaid direct debits, and its compensation offer is fair. And it provided Mr O with a letter to show third parties to help repair his credit file.
- Lloyds say it did not apply any fraud markers against Mr O. So, he needs to take this up with the relevant business.

As Mr O didn't agree with what our Investigator said, this 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.

Having done so, I have decided not to uphold this complaint. I'll explain why.

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 explained, and provided supporting evidence, as to why it blocked Mr O's accounts before deciding to close them. I'm satisfied it did so in line with its obligations and that when it reopened and then restricted them again, that was most likely an error on its part. In other Lloyds, shouldn't have removed the restrictions albeit for one day.

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 Mr O had to comply with, say that it could 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 say it gave Mr O two months' notice, and I note that some of the accounts stayed open even longer - but that isn't to Mr O's detriment, so I don't need to consider that further. Lloyds did however restrict Mr O's account until they were closed, that means I need to treat the closure as immediate given he didn't have any access to his banking services.

Lloyds has similarly provided me with information and a detailed explanation as to why it closed Mr O's accounts in the way it did. Having carefully reviewed this, I'm persuaded that Lloyds acted in line with its terms – but it should have given two months' notice. By not doing so, and keeping the accounts restricted, Mr O's direct debits failed. I note too that he was told erroneously his regular payments would still be made until closure by Lloyds.

Lloyds accept it got this wrong and offered to pay Mr O £500 compensation for its error. It also provided Mr O with a letter so that he could present it to any of his creditors that he may have missed a payment for, and who may have registered an adverse late payment filing against him. Mr O was able to access his funds albeit through a branch.

Given the impact that his payments not being made when being told they would, and the disruption, inconvenience, and distress this would have caused in isolation from any impact the closures overall caused, I don't think Lloyds need to do anymore.

I know Mr O would like a detailed explanation about why Lloyds acted in the way it did. But it

is under no obligation to do so.

Mr O has complained that Lloyds leaving an adverse marker against him caused a third-party bank to decline his application for an account. But the letter from that bank clearly shows another company to Lloyds applied a marker. So, I'm satisfied Lloyds hasn't applied a fraud marker in line with what it said about this.

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 Mr O to accept or reject my decision before 25 March 2025.

Ketan Nagla

Ombudsman