

The complaint

Mr U complains that Lloyds Bank PLC closed his accounts and loaded a fraud marker against his name.

What happened

Mr U held numerous accounts with Lloyds. In May 2020, Lloyds carried out a review of Mr U's accounts. As it was unhappy with the way he was operating his accounts, it took the commercial decision to close them. It gave him 60 days' notice of closure.

It also loaded a fraud marker against his name using the Synectics Solutions database, as it felt Mr U was deliberately misusing the payments and Direct Debit systems to gain financially.

Mr U complained to Lloyds about its decision, but Lloyds responded stating that it didn't make an error in closing the account in line with the terms and conditions.

Mr U remained unhappy with this, so he referred his complaint to our service. Lloyds reviewed its decision and decided to downgrade the marker it had placed against Mr U so that it was only shown internally. Therefore, the marker was no longer visible to other members of the database. It also offered to pay £100 for the distress and inconvenience caused by the marker initially being visible to other members.

An Investigator considered the evidence provided by both parties, but felt Lloyds should do more to put things right. Broadly, they felt the original marker was loaded unfairly and that the impact caused to Mr U wasn't reflected fairly in the compensation offered. They recommended Lloyds increase this to £400.

Lloyds agreed with the Investigator's assessment, but Mr U didn't. He felt that the compensation didn't reflect the impact caused. He told our service that the marker affected his relationships, employment and business.

As Mr U disagreed with the Investigator's opinion, the matter has now been passed to me for a 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 closure

Banks do have the right to end their relationship with a customer, as long as this is done fairly and in line with the terms and conditions of the account.

Here, Lloyds suspected Mr U of misusing its accounts. It was also unhappy with the way in which he was running them and decided it no longer wished to offer him its services. Lloyds had set out its ability to do this in the terms and conditions of its account: which Mr U agreed

to.

Lloyds provided Mr U with 60 days' notice so that he could find alternative banking facilities. This gave Mr U a reasonable amount of time to arrange his financial affairs and reduce the impact the account closures would cause. Therefore, I find Lloyds' actions in relation to this complaint point are fair and reasonable in the circumstances.

Fraud marker

Lloyds has already admitted that it made an error in recording a fraud marker against Mr U's name and making this visible to third-party organisations. It has now rectified this error by downgrading the fraud marker to make it visible only internally and not to third-party organisations.

It has also agreed to pay the £400 in compensation for the impact this error caused Mr U – as recommended by the Investigator.

But Mr U doesn't think this is a fair reflection of the impact caused. Mr U says that following on from the fraud marker being placed against him, he:

- Lost his friends and his partner after they thought he was a fraudster.
- Lost shareholders from his business, forcing him to resign as Director.
- Was prevented from pursuing alternative business interests.
- Was prevented from opening new business accounts.
- Suffered mental health conditions due to the worry and stress.

However, Mr U has been unable to evidence any of the impact he's highlighted above or show how this was caused by the fraud marker. And where consequential losses are suffered as a result of a bank's error, I only find it fair and reasonable for this to be corroborated.

Mr U did tell our service that he'd obtain and provide this evidence back in August 2022, but none has been provided.

For these reasons, I don't find it fair or reasonable to expect Lloyds to pay Mr U for his loss in salary where he hasn't evidenced that salary. I must also consider the possibility that Mr U resigned his directorship of the business for other reasons and that this wasn't directly linked to the fraud marker placed against his name. This also applies to the breakdown in his relationships.

However, while Mr U has been unable to evidence any of the impact caused, or how this was caused by the marker, I do acknowledge that there would have undoubtedly been some distress and inconvenience caused.

Information recorded in fraud marker databases are accessible to members of that database. Therefore, I find it likely that the marker did impact Mr U's ability to access other financial products. I can only take into consideration how this impacted Mr U rather than the company he was Director of.

I also find it likely that Mr U did experience some distress as a result of the marker placed. Mr U has explained that he suffered mentally by the stress caused in having his character brought into question, and I'm persuaded that this was likely the case.

Putting things right

For the above reasons, I find that Mr U has suffered distress and inconvenience as a result of the marker placed against his name.

While I acknowledge Mr U believes the impact caused should be reflected in a substantially higher compensation payment, I don't find the amount he's asked for to be realistic.

Therefore, I find that the £400 suggested in the Investigator's assessment is a fair and reasonable amount to reflect this.

My final decision

For the reasons I've given above, I uphold this complaint and direct Lloyds Bank PLC to pay Mr U £400 for the distress and inconvenience caused, without delay.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 13 December 2022.

Stephen Westlake
Ombudsman