

The complaint

Mr B complains that Lloyds Bank PLC have closed his account without good reason.

What happened

I issued my provisional decision on this complaint on 20 January 2023, and this is what I said:

I've considered the relevant information about this complaint.

Based on what I've seen so far, I intend to uphold it, so there will be a different outcome to what our investigator proposed.

I'll look at any more comments and evidence that I get by 17 February 2023. But unless the information changes my mind, my final decision is likely to be along the following lines.

The complaint

Mr B complains that Lloyds Bank PLC have closed his account without good reason.

What happened

In late June 2022, Mr B applied for a Lloyds current account and was issued with a bank account number and informed the account was opened.

However, a few days later, Lloyds made a decision to close his account saying this was in line with their terms and conditions. They suggested Mr B establish the reason by requesting a copy of his credit file.

Mr B complained to Lloyds as he didn't understand, but Lloyds again suggested he request a copy of his credit file.

Mr B followed this advice but, as he is still mystified by Lloyds decision, he complained to our service, wanting to know the reason and have his account reinstated.

Our investigator didn't uphold Mr B's complaint. He said banks don't have to elaborate on the reason for declining applications.

As Mr B remains dissatisfied this case has now been referred to me to look at.

What I've provisionally 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.

I first looked at whether Lloyds decision was an account application decline or an account closure. This is because of conflicting comments contained within Lloyds correspondence in which they say they've both 'declined the customer an account' and 'successfully opened an account'.

As there are communications saying the account was open and Mr B obtained an account number, I'm satisfied this is the case. And, as Lloyds closed it only a few days later, it appears they made a premature decision here and subsequently weren't satisfied with the responses they received from standard enquiries with fraud and credit reference agencies.

I then looked at Lloyds terms & conditions and, whilst it's clear Lloyds are not obligated to give a reason for ending the agreement, for the following reasons I found it necessary to ask Lloyds to confidentially share their closure rationale with our service:

1. To ascertain whether, having opened the account, Lloyds should've given Mr B notice of 'at least 2 months in advance' as stated in the following terms and conditions:

'If we end the agreement we will act reasonably and reduce any inconvenience to you. We can end this agreement (or account, benefit or benefits package or service) without telling you in advance if we reasonably think that:

- there is or may be illegal or fraudulent activity connected to the account;*
- you are or may be behaving improperly. This includes being abusive or threatening to our staff or including abusive or threatening messages in payment instructions;*
- a regulator or Government may take action against us (or another Lloyds Banking Group company) unless we end it;*
- we may break the law or regulatory requirement if we don't end it; or*
- you have broken the agreement in a serious way*

If we want to end the agreement for any other reason, we must tell you at least 2 months in advance.'

2. To confirm Mr B has been treated fairly, bearing in mind Mr B says he has followed Lloyds advice regarding his credit file and can't understand the reason and Mr B thinks a mistake may have been made. Furthermore, on this point, Mr B has pointed out a house number discrepancy on his Lloyds record and I can't see that Lloyds have looked into this.

However, Lloyds sent the following response to my request:

"We are unable to provide evidence of the information we received. Only Mr B can request a copy of his credit file, which will highlight the specific reason."

Although I appreciate Lloyds do not have to give Mr B the reason or expand on the information they've given him, due to the current lack of information, I can't be satisfied that Mr B has been treated fairly - either in terms of the closure or notice period.

So, I'm upholding this complaint and I'm awarding Mr B £150 compensation for the upset and inconvenience caused, which I think has been aggravated by Lloyds not completing their checks before opening the account.

Whilst I understand Mr B's frustration and disappointment, as banks have the right to choose their customers, I'm unable to ask Lloyds to reopen his account.

My provisional decision

For the reasons I've given above, it's my provisional decision to uphold this complaint. I require Lloyds Bank PLC to pay Mr B £150 compensation.

I'll look at anything else anyone wants to give me – so long as I get it before 17 February 2023. Unless that information changes my mind, my final decision is likely to be as I've set out above.

Neither party submitted any further information or evidence.

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 no further arguments or evidence have been produced in response to my provisional decision, my view remains the same.

I therefore adopt my provisional decision and reasons as my final decision.

My final decision

For the reasons given above, and in my provisional decision, I uphold this complaint and require Lloyds Bank PLC to pay Mr B £150 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 21 March 2023.

Paul Douglas
Ombudsman