

The complaint

T, a limited company complains that Lloyds Bank PLC (Lloyds) closed its account without notice.

Mr K, a director of T brings the complaint on T's behalf.

What happened

In 2022, Lloyds closed T's business current account after it didn't receive a response to its requests for information. Mr K was unhappy to find that T's account was closed as he said Lloyds hadn't given him any warning.

Lloyds didn't agree that it had done anything wrong when it closed T's account. It said it wrote to T twice but didn't receive a reply. Lloyds apologised and paid T £30 after it sent the cheque for the closing balance to the wrong address.

The investigator considered the complaint and noted that Mr K had several conversations with Lloyds in the lead up to T's account being closed. The investigator thought that Lloyds could've done more to bring the imminent closure of T's account to Mr K's attention. The investigator recommended that Lloyds pay T £200 compensation.

Mr K disagrees with the investigation outcome. Mr K says that in November 2022, T lost out on available contracts after he told prospective clients that T didn't have a business bank account. Mr K says that if Lloyds hadn't closed T's account, he would've signed at least one business contract.

Mr K explains that the closure of T's account meant it couldn't take on new business contracts for two months. Mr K says the break in account history has negatively impacted T's reputation. Mr K says the gap could've been avoided if Lloyds had contacted him before closing the account.

Mr K says that he was put under a great deal of stress as he had personal matters resting on T being able to keep trading. Mr K says the closure of T's account affected his travel plans as he couldn't provide six months business bank account statements. Mr K is also concerned about the impact to his credit score.

Mr K wants Lloyds to reverse its decision to close T's account and pay significant compensation for the distress, inconvenience, and financial loss prompted by the closure of the account.

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.

I realise that I've summarised this complaint in less detail than the parties and I've done so using my own words. I've concentrated on what I consider to be the key issues. The rules that govern this service allow me to do so. But this doesn't mean that I've not considered everything that both parties have given to me.

Although I can see that Mr K found the experience very stressful, the complainant is limited company T which is its own legal entity. This means I can't consider the stress that Mr K has felt personally. By this I include the worry Mr K felt about having an important application rejected, together with the disruption of his travel plans. Instead, I can only consider the impact that any mistake or unfairness may have had on T.

Like the investigator, I agree that it seems Lloyds missed some opportunities to bring the closure of T's account to Mr K's notice. I don't however consider this is a situation where Lloyds closed T's account without notice. Lloyds has given this service evidence that it wrote to T using the address it held on file. I appreciate Mr K says he didn't receive these letters as he was out of the country at the time and had then moved address. But this doesn't mean Lloyds didn't send them. So, I don't think it's fair to require Lloyds to reopen T's account.

Mr K says T lost out on contracts because of the closure of the account but hasn't provided direct evidence of this. Mr K refers to his average income and says friends in the same line of work started new projects in November 2022. But without further evidence to support this aspect of T's complaint, I don't require Lloyds to pay more compensation than the investigator recommended.

Mr K thinks that discrimination played a part in Lloyds decision to close T's account but I haven't seen evidence of this. Lloyds needs to make sure that it has up to date information for its business customers. As part of its regulatory obligations, Lloyds is entitled to carry out reviews like the one it wanted to complete with T. As Lloyds didn't receive T's response by the deadline it gave, it went on to close the account. I don't find this was a racially motivated decision by Lloyds although I appreciate Mr K might think otherwise.

Overall, I consider an award of £200 reflects the inconvenience to T after Lloyds missed some opportunities to bring the potential closure of the account to Mr K's attention. I appreciate this is likely to disappoint Mr K who would like Lloyds to pay substantially more compensation.

Putting things right

To put things right, Lloyds should pay T £200.

My final decision

My final decision is that I uphold this complaint. In full and final settlement, I require Lloyds Bank PLC to pay T £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 9 June 2023.

Gemma Bowen
Ombudsman