

The complaint

Mr C complains that Lloyds Bank PLC unfairly closed his accounts and recalled a Bounce Back Loan facility.

What happened

Mr C opened a Lloyds business account for his sole trader business in June 2020. He successfully applied to the bank for a £50,000 Bounce Back Loan around the same time, which was drawn down on 10 June 2020.

On visiting a local branch to carry out a transaction later that month, Mr C was asked to provide a copy of his latest tax return and proof of his trading activity to demonstrate that he met the eligibility requirements for the Bounce Back Loan he'd obtained. The bank restricted Mr C's use of his account, and the loan funds within it, while it looked into things.

Mr C provided some documentation to Lloyds, but the bank wasn't satisfied that this showed he'd been entitled to the loan. This led it to close Mr C's business account and terminate the Bounce Back Loan facility.

Lloyds wrote to Mr C on 7 July 2020 to say that it would close his business account in two months' time, but that blocks had been applied meaning that he couldn't make any payments out of the account prior to its closure. In the event, the account remained open for a while longer pending the bank's resolution of matters relating to the Bounce Back Loan.

Mr C also held a personal account with Halifax, part of the broader Lloyds Banking Group, which was also closed.

On 17 May 2021, Lloyds issued a formal demand for the repayment of the £50,000 loan. It said that the terms of the agreement had been broken, as it believed some of the information that Mr C had provided in his application had been "incorrect, inaccurate or misleading".

Lloyds subsequently applied the £33,200 still held in Mr C's business account, being unspent funds from the Bounce Back Loan, to reduce the loan debt. An amount of £5,250.23 was also removed from Mr C's personal account with Halifax and used to pay down the loan balance in October 2021, leaving a balance of around £11,500 that Mr C needed to repay.

Mr C doesn't think he's been treated fairly. He's raised a number of concerns, which I'll summarise as follows:

- His Lloyds and Halifax accounts were closed without notice or reason, leaving him without access to the funds held within them and impacting his ability to manage his finances.
- He believes that the bank's actions were based on a decision made by the staff member he spoke with when visiting the branch, and that this was influenced by his race rather than anything else.

- Since Lloyds closed his accounts, he's been unable to take out new financial products elsewhere – and he is concerned that this is because Lloyds has applied some sort of marker against his name.
- The debt collection agency handling recovery of the Bounce Back Loan on Lloyds' behalf advised him that he owed £16,800, which wasn't right. This was because the bank hadn't applied the funds recovered from his Halifax personal account.
- Lloyds didn't respond to his data subject access request ("DSAR") properly, having simply declined to provide it on the grounds that it had closed his accounts legitimately. He believes he is entitled to the information that Lloyds holds on him and wants to know what it is that led the bank to close his accounts.

Lloyds says it hasn't done anything wrong in closing Mr C's account or terminating the Bounce Back Loan facility. It says these decisions were based purely on its concerns about Mr C's entitlement to the loan. It has, though, accepted that there was a delay in applying the funds from Mr C's Halifax account to the Bounce Back Loan and that this meant an erroneous amount was demanded by the debt collection agency. It sent Mr C a cheque for £75 by way of compensation for the inconvenience this caused. It also sent Mr C a cheque for £40 to recognise the delay in dealing with the complaint itself.

Mr C's complaint has been reviewed by one of our investigators, who didn't recommend that the bank take any further action. As Mr C didn't accept his view, the complaint was passed to me to decide.

My provisional decision

I issued a provisional decision on Mr C's complaint last month, explaining that I didn't intend to uphold it. I said:

The withdrawal of Mr C's Bounce Back Loan and business account

There were a number of eligibility requirements that had to be satisfied before a business could obtain a loan under the Bounce Back Loan Scheme. Of particular relevance here, these included that the loan amount could be no more than 25% of the applicant's annual turnover, which was to be based on turnover during the 2019 calendar year.

Mr C applied for a loan of £50,000, having self-declared that he had the requisite £200,000 to qualify for this amount. Lloyds approved the application on the basis of the information he provided. But the bank was entitled and expected to keep matters under review, in line with its anti-fraud obligations both under the Bounce Back Loan Scheme and wider regulatory requirements. So I don't think it did anything wrong in asking Mr C for some more information to verify his eligibility.

Mr C did provide some more information to Lloyds, but the bank didn't think this was sufficient to demonstrate that he'd been eligible for the loan. I think its decision on this was reasonable. I say this because:

- Although Mr C has provided a copy of his self-assessment tax return that shows he declared a turnover of exactly £200,000 in 2019/20, he's not been able to demonstrate that he received this income. He only opened his Lloyds business account in June 2020, and he's declined our request for statements of any other accounts into which this income would've been received.

- The account statements that we do have don't show much in the way of any business activity. The only transactions on Mr C's Lloyds business account are payments out of the account – with loan funds being transferred to personal accounts held elsewhere.
- When applying for the account, Mr C declared an annual turnover figure of £100,000. This is quite different to the £200,000 he declared when applying for the loan. There is no obvious explanation for this significant discrepancy.

Under the terms and conditions of the Bounce Back Loan, Lloyds was entitled to terminate the loan and demand its immediate repayment in certain circumstances. This included where any of the information provided within the application was found to have been misleading, incomplete or incorrect. So given what I've said above, I think Lloyds was entitled to terminate the loan in the circumstances here.

The bank's concerns over Mr C's entitlement to the loan also led it to close his business account. The actions it took in restricting and later closing the account were in line with the applicable terms and conditions. Given all I've said above about the validity of Lloyds' concerns, I think these were reasonable steps for the bank to take. The funds in the account were only those that remained from the drawdown of the Bounce Back Loan, which the bank legitimately froze so that it could recover them and apply them to reduce the loan balance.

With the loan having been defaulted and the balance becoming immediately payable, Lloyds removed the remaining funds in Mr C's business account and applied these to the Bounce Back Loan debt. It was entitled to do this under the "right of set off" that it had under the terms and conditions of both the loan and the account. I note the bank also recovered some funds from Mr C's personal account with Halifax. Mr C would need to raise a separate complaint with Halifax if he's unhappy about that, as Halifax is a separate entity to Lloyds even if they are part of the same banking group. So I won't comment on that further here.

I understand Mr C doesn't think that Lloyds had good reason to take the steps it did, and is concerned that it was motivated purely by his race. From what he's said to the bank and us about this, I understand he is concerned with the involvement of the staff member that made the request for information when he visited a branch. As he sees it, nothing was wrong until this branch visit when he asked to withdraw some money – and he thinks that they then initiated the closure of his accounts, based on his race.

It's difficult for me to comment on the specifics of that interaction that might've given Mr C cause for this concern. He's described being looked at in a certain way and I've no reason to doubt that he may have been made to feel uncomfortable. But having carefully considered what both he and Lloyds have said and provided to us, I'm satisfied that Lloyds' actions were based solely on the legitimate concerns it had as to Mr C's eligibility for the Bounce Back Loan that I've outlined above. I'm sorry to see that he's had cause even to consider that his race might have been a contributing factor but from the evidence I've seen, I don't think it was.

Delay in offsetting Mr C's balances

As I've noted above, Lloyds used the funds held in Mr C's business account and his personal account with Halifax to reduce the amount he owed on the Bounce Back Loan. But it took longer than it should've done to do this.

Lloyds only applied the £33,200 from Mr C's business account to the loan on 16 August 2021, and the funds from Mr C's Halifax account even later still on 8 October 2021. I've not seen that this led to Mr C incurring any more interest than he should've done, as the loan was defaulted prior to any interest being charged. But it did cause Mr C some concern and inconvenience when he was being pursued for the wrong amount – as he had to follow up with the debt collection agency and the bank to rectify this. Lloyds has already apologised for this error and paid him £75 compensation, which I think is fair way to put this aspect of things right.

The registration of adverse information

Mr C is also concerned that Lloyds has recorded some sort of marker or registered adverse information about him, which is in turn impacting his ability to open alternative facilities elsewhere. Lloyds has said that it hasn't recorded anything with the fraud-prevention agency Cifas, or any similar agencies. And Mr C hasn't demonstrated that there is anything on his credit file that is out of place. He may wish to follow up with the relevant agencies themselves if he retains any concerns in this regard.

Lloyds' response to Mr C's DSAR

From the information that Mr C has sent us, I can see that Lloyds rejected a DSAR that he made on the grounds that it had been entitled to close his accounts. The question of whether that complies with the relevant legislation would be a question for the Information Commissioner's Office rather than something for me to decide. But I can consider whether Lloyds acted fairly, and I don't think it did. Mr C was asking for any information that he was entitled to, in order to understand (and, if necessary, challenge) the rationale for the bank's decisions. I don't think it was fair for the bank to dismiss this request purely because it concluded that it had closed Mr C's accounts legitimately.

However, I don't think the bank's actions in this regard have adversely impacted Mr C's position. The bank subsequently explained to him that it was recalling the Bounce Back Loan due to what it considered to be inaccurate information in his application form. He's also been told the same by us. I don't think he would've gotten any further information from Lloyds that would've helped him understand this any better, or that would've led to a different outcome to this complaint. So even though I think the bank could've handled this request better, I don't think it impacted Mr C in such a way as to warrant any further compensation.

Lloyds accepted my provisional decision. Mr C didn't respond.

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 with no new information or evidence for me to consider in light of my provisional decision, I've seen no reason to reach a different conclusion. So this final decision simply confirms my provisional findings, as set out above.

My final decision

For the reasons I've explained I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 3 May 2023.

Ben Jennings
Ombudsman