

## The complaint

Mr H is unhappy that Lloyds Bank plc decided to block and close his current account. He also complains about the customer service issues he experienced following their decision to close his account.

## What happened

On 13 June 2022, Lloyds Bank sent Mr H a letter to inform him that they'd carried out a risk assessment of the account which highlighted some concerns. And as a result, they'd taken the decision to close Mr H's account in two months' time. They explained they'd placed a block on the account to stop all transactions and Mr H would need to make other arrangements for any credits, direct debits or standing orders set up on the account, as no further payments would be made.

Lloyds Bank told Mr H that if his account had a credit balance, he should take their letter and visit a local branch along with identification documents. He'd also need to provide proof of where the credit balance had come from – for example, through wage slips or cheque verification. And if his account had a debit balance, Mr H had to make arrangements to repay the outstanding balance owed within two months. If he wasn't able to do so, he should take their letter and visit a branch to discuss this further.

On 17 June 2022, Mr H called Lloyds Bank and he was allowed to transfer all the funds in his account amounting to £1,500.63 to an account he held at a different bank as it was an existing payee on the account.

Mr H complained that Lloyds Bank removed his access to his account which meant he didn't have money for basic necessities. He couldn't understand why Lloyds Bank had deemed him a risk without any explanation. He felt that Lloyds Bank were discriminating against him, and this had a severe impact on his mental health which left him crying for days. He says he was made to feel worthless. He also explained that he couldn't visit a branch as it closed at 3.30pm and didn't have enough time to stop during his lunch break.

He explained that he'd raised a subject access request (SAR) and had asked Lloyds Bank to send him the call recording via email, but his request wasn't adhered to. He also wasn't able to access the information that was emailed to him as the code he was provided wasn't accepted. And he didn't receive a new code despite multiple attempts.

Mr H also said that he received a text message shortly after he withdrew all his funds, letting him know that he'd be entering an unarranged overdraft facility if he didn't pay money into his account. He explained he was very confused and shocked as he thought he no longer held an account. He was also worried about how this might affect his credit score. Mr H spoke to Lloyds Bank and he says he was told direct debits would still be allowed even though the account was blocked. Mr H was unhappy he was given conflicting information as the letter he received told him that he'd need to make other arrangements for credits and direct debits. He asked Lloyds Bank to stop sending him letters and emails as he wasn't their customer anymore. He found this to be harassing and was impacting his mental health.

Lloyds Bank issued their final response letter explaining that they had given Mr H two months' notice to make alternative banking arrangements. And although they'd limited his access to the account, it still remained open during the notice period. They said that the terms and conditions allowed them to take such action without providing any notice or explanation. They said they weren't required to provide the reasons behind their decision and won't be doing so.

They accepted that they didn't carry out Mr H's instructions to send the call recordings from his SAR request via email and acknowledged the difficulties he had in accessing the information due to issues with the code. They arranged for the information to be re-sent to Mr H via email.

They also agreed they made an error when the direct debit left his account after he was informed that there would be no facilities available to him. They explained it wasn't their intention to upset Mr H with any marketing or correspondence that was sent to him. They said they were legally obliged to provide him with information regarding his account, but they'd stopped marketing information being sent to him. They explained their marketing is generated eight weeks in advance so Mr H may still receive some information in the meantime.

They apologised to Mr H and to make up for the distress and inconvenience caused they arranged to pay £100 compensation. Mr H referred his complaint to our service as he didn't feel the £100 was enough to justify the stress and inconvenience he was caused. He explained that he was really anxious, and his mental health was severely impacted. He also wanted an explanation for why he was a risk to Lloyds Bank and wanted his account to be reopened.

Our investigator said that he was satisfied Lloyds Bank had given Mr H two months' notice to close his account which was in line with the terms and conditions. He explained Lloyds Bank aren't obliged to give Mr H a reason for the closure of the account.

The investigator also felt Lloyds Bank couldn't be held liable for Mr H's work schedule which meant he couldn't visit a branch and had to borrow money from family. He felt Mr H wasn't treated unfairly as he was able to transfer funds to an alternative account within four days of the closure notice being sent. He said that Lloyds Bank's system notes indicated that marketing communication had stopped, and he was satisfied £100 compensation was fair for the errors involving the SAR and direct debit payment. Mr H disagreed and asked for an ombudsman to review his complaint.

### **My provisional decision**

I issued a provisional decision on 5 May 2023, and I made the following findings:

“It's important to explain that Lloyds Bank have a wide range of legal and regulatory obligations they must meet when providing accounts to customers. These obligations are ongoing, so do not only apply to the account opening stage. To comply with their obligations, Lloyds Bank may need to review an account and sometimes this may lead to the account being blocked and/or closed. This means Lloyds Bank are allowed to block and review an account at any time as they did in Mr H's case.

Mr H feels that Lloyds Bank have discriminated against him when they decided to close his account. He hasn't however expanded on how or why he feels discriminated against. It's helpful to explain that it's not my role to make a finding on whether discrimination has taken place as a matter of law and only a court has the

power to decide this. But I've taken into account Lloyds Bank's obligations when deciding whether or not I think Mr H has been treated fairly.

Banks are generally entitled to close an account providing it's in line with the terms and conditions. I've looked at the terms and conditions of Mr H's account and this allows Lloyds Bank to, in certain circumstances, close the account without telling him in advance or by providing two months' notice for any other reason.

Lloyds Bank have explained the risk assessment they carried out on Mr H's account highlighted concerns which resulted in them deciding to close his account with two months' notice, as he no longer met their risk appetite. This is a decision Lloyds Bank are entitled to make in line with the terms and conditions of the account.

Lloyds Bank aren't required to explain to Mr H why they decided to block his account and the reasons why they don't want him as a customer anymore. But they are expected to provide this information to our service to help us fairly assess and decide the complaint.

Despite our request, Lloyds Bank have failed to provide us with information to explain what prompted their risk assessment and the reasons why Mr H no longer meets their risk appetite. It's important for our service to see evidence of this, to ensure Lloyds Bank have exercised their commercial discretion to end their relationship with Mr H legitimately and free from any prejudice or discrimination. But unfortunately, Lloyds Bank have maintained they won't disclose this information to us.

This service has the power to request evidence of this nature under the dispute resolution rules (DISP), and I'm not persuaded the explanation given by Lloyds Bank exclude them from complying with these rules.

Lloyds Bank also placed a block on Mr H's account during the notice period which prevented him from accessing the account as he usually would. By doing so, I think Lloyds Bank have effectively negated the notice period Mr H was provided.

I haven't seen any evidence to suggest there were any other reasons which meant Lloyds Bank were able to close Mr H's account immediately without giving him the advance notice he's entitled to, as per the terms and conditions of the account.

Due to the lack of information and supporting evidence Lloyds Bank have given our service in this particular case, I can't be satisfied that they've treated Mr H fairly when they decided to block and close his account.

I've thought about how Mr H has been impacted by Lloyds Bank deciding to block and close his account. Mr H has explained he didn't have funds for basic necessities and had to borrow from his family and friends. He does appear to have other bank accounts, but has told us that all his money was in his Lloyds Bank account. He's explained he wasn't able to visit a branch to access his funds straightaway due to his work commitments. He's also told us about his mental health being impacted severely.

Although Mr H got access to his funds within four days of his account being blocked – he was only able to do so by calling Lloyds Bank. I can't see that Lloyds Bank made it clear in their letter of 13 June 2022 that Mr H had the option to potentially move funds to an existing payee by calling them instead of visiting a branch.

Lloyds Bank have apologised for the wording on their letter. But I think if Lloyds Bank were clearer in their letter about Mr H's option of calling them to access his funds, then the distress and upset he was caused could've been avoided as he would've had the option to mitigate some of the impact on him.

I know Mr H's mental health has been impacted by Lloyds Bank not giving him an explanation for why they deemed him to be a risk. But as I explained, Lloyds Bank aren't under any obligation to explain to Mr H as to why he didn't meet their risk appetite – so I can't say they've treated him unfairly by not providing him with this explanation.

Turning to the other customer service points Mr H has raised, Lloyds Bank have already accepted the issues Mr H experienced with the SAR. I understand they've rectified this by resending the call recordings via email, but the issues caused Mr H unnecessary frustration and annoyance.

Lloyds Bank have also agreed they made an error when a direct debit left Mr H's account on 30 June 2022 for £20 when the letter of 13 June 2022 told him no facilities would be made available and he'd need to make alternative arrangements for direct debits.

Since Lloyds Bank told Mr H that no facilities would be available to him, it's understandable that he was shocked and worried when he received a text message letting him know that he'd be entering an unarranged overdraft facility. Mr H was given further conflicting information when he spoke to Lloyds Bank which would've added to his confusion and frustration.

Mr H made it clear to Lloyds Bank that he suffered from mental health issues and asked them not to send him any correspondence. But Mr H continued to receive correspondence from Lloyds Bank until December 2022.

I appreciate Lloyds Bank still had to send Mr H information about his account until it was closed. But there seems to be an unexplained delay with Lloyds Bank closing Mr H's account. It should've been closed within two months of their letter of 13 June 2022 on 13 August 2022. However, I can see the account wasn't closed until 19 October 2022. This caused Mr H to receive unnecessary additional correspondence, such as statements and statements of fees in October and December 2022.

Mr H has explained that this caused his mental health to worsen as the correspondence was a reminder of what had happened. Lloyds Bank have apologised for the distress this caused to Mr H.

I understand Mr H is concerned about his credit file being negatively impacted as his current account was showing as open with blocks, when it should've been closed in August 2022, and that it was overdrawn due to the unpaid direct debit.

I've not seen any evidence to show that Lloyds Bank have incorrectly recorded any adverse information on his credit file. But Lloyds Bank have an obligation to ensure information on Mr H's credit file is accurate. Given that they should've closed his account on 13 August 2022, but it wasn't until October 2022, I think Lloyds Bank should amend this information on Mr H's credit file.

Also, Lloyds Bank gave Mr H inconsistent information about his direct debit which resulted in Mr H not leaving sufficient balance in his account to pay the direct debit

on 30 June 2022. So, Lloyds Bank should remove any adverse information recorded in June 2022, if any, as a result of this unpaid direct debit.

In summary, as explained, I can't be satisfied Lloyds Bank treated Mr H fairly when they blocked and closed his account. I have no doubt Mr H was distressed and upset by the restrictions placed on his account. I've considered the impact this caused on Mr H when deciding the overall amount of compensation Lloyds Bank should pay to put things right.

I think there were a number of customer service issues which have had an impact on Mr H. Individually, these weren't significant. But when Mr H had to face multiple problems, I think the distress, frustration, annoyance and inconvenience he experienced was compounded – particularly given his mental health issues.

The level of customer service fell far below what Mr H could rightly expect to receive from Lloyds Bank. Although Lloyds Bank have apologised and paid Mr H £100 compensation, I don't think this goes far enough to fairly recognise the impact on Mr H.

Taking everything into account, I think Lloyds Bank should pay Mr H a further £250 compensation to fairly recognise the distress and inconvenience he was caused – taking the total amount of compensation to £350.

I also think Lloyds Bank should pay Mr H 8% simple interest per annum on the daily balance of his account from 13 June 2022 to 16 June 2022. This is to make up for the loss of use of his funds during the time he didn't have access to his account.

To put things right, Lloyds Bank should:

- Pay Mr H a further £250 compensation for the distress and inconvenience caused to him;
- Remove any adverse information from Mr H's credit file relating to the returned direct debit in June 2022;
- Update Mr H's credit file to reflect the account closed date to 13 August 2022;
- Pay Mr H 8% simple interest\* per annum on his daily account balance from 13 June 2022 to 16 June 2022.

\*HM Revenue & Customs requires Lloyds Bank to deduct tax from this interest. Lloyds Bank must give Mr H a certificate showing how much tax they've taken off, if he asks for one."

## **Responses to my provisional decision**

I invited both parties to respond to my provisional decision with any further submissions.

Mr H didn't accept my provisional decision. He felt that Lloyds Bank should be able to explain why he can't get an account with them. He explained he feels stressed and confused about why he's considered a risk. He's shared with us information about his mental health being impacted due to him not knowing the reasons why Lloyds Bank thought he was a risk.

He told us that he wants us to wait for Lloyds Bank to give our service information about why he was a risk and if they don't, he believes it requires further investigation. He also asked that his account be reopened as a resolution to the complaint.

Lloyds Bank responded to my provisional decision confirming their acceptance and informed us that they've made the amendments I recommended to Mr H's credit file.

### **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'm sorry to hear Mr H is struggling with his mental health due to thinking about why he's a risk to Lloyds Bank. I don't underestimate the strength of Mr H's feelings, but as explained in my provisional decision, Lloyds Bank aren't under any obligation to share more information with him about why he didn't meet their risk appetite, as much as he'd like to know.

Although Mr H has asked us to wait for Lloyds Bank to explain why they considered him to be a risk, I don't consider this to be necessary. This is because Lloyds Bank haven't provided this information despite us asking for it already, and we aren't able to compel them to do so.

I reached the findings set out in my provisional decision, based on the available information. This took into account the lack of information and supporting evidence from Lloyds Bank regarding the blocks placed on Mr H's account, as well as the account closure. I wasn't satisfied Lloyds Bank had treated Mr H fairly when they decided to block and close his account. I considered the impact this, and the customer service issues had on Mr H to decide a fair amount of compensation.

I've also carefully thought about the comments Mr H has made in response to my provisional decision, in particular about the impact to his mental health. I sympathise with Mr H's situation, but I have to bear in mind that the pro-longed impact on his mental health seems to be due to Lloyds Bank not disclosing to him the reasons why they consider him to be a risk.

Since I found that Lloyds Bank aren't obliged to share this information with Mr H, it follows, I can't fairly ask them to compensate him for the impact this has continued to have on him. I know Mr H will be disappointed, but all things considered, I remain of the view that £350 compensation is fair and reasonable under the circumstances to recognise the distress and inconvenience he was caused.

I appreciate Mr H would like his account to be reopened, but as explained in my provisional decision, Lloyds Bank are entitled to close his account under the terms and conditions. And as mentioned above, I've taken into account the impact the account block and closure had on Mr H to decide a fair amount of compensation which I'm satisfied is a fair way to resolve this complaint.

In summary, to put things right, Lloyds Bank should:

- Pay Mr H a further £250 compensation for the distress and inconvenience caused to him;
- Remove any adverse information from Mr H's credit file relating to the returned direct debit in June 2022;
- Update Mr H's credit file to reflect the account closed date to 13 August 2022;
- Pay Mr H 8% simple interest\* per annum on his daily account balance from 13 June 2022 to 16 June 2022.

\*HM Revenue & Customs requires Lloyds Bank to deduct tax from this interest. Lloyds Bank must give Mr H a certificate showing how much tax they've taken off, if he asks for one.

### **My final decision**

For the reasons explained, Lloyds Bank Plc should put things right in the way I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 22 June 2023.

Ash Weedon  
**Ombudsman**