

The complaint

W complain Lloyds Bank PLC (“Lloyds”) closed their accounts and provided poor communication.

What happened

In October 2022, following an internal review, Lloyds wrote to W and informed them it was no longer able to provide them with its banking services - and that it will close their accounts with immediate effect. W were also informed they could withdraw any remaining balances in branch.

W contacted Lloyds to ask why it had decided to close their accounts. One of Lloyds’ call handlers informed W that its systems weren’t showing the accounts had been, or were being, closed.

W complained. Lloyds upheld part of W’s complaint. In its responses, and in summary, Lloyds said:

- It gave W the wrong information about the accounts not being closed, and the letter they had received not being genuine. Because of this Lloyds would pay W £60 compensation for the impact this had
- Lloyds’ staff failed to check its systems properly when W called to have seen that it did send the closure notification. Lloyds should’ve left clearer notes on its systems
- In a later response, Lloyds said it would pay a further £200 into one of W’s accounts for the impact of giving them the incorrect information about the closure letter and the accounts being closed
- Lloyds decided to close all of W’s accounts with immediate effect but the errors it made in handling the closures allowed W to use them for a further three weeks which was to their benefit
- Lloyds doesn’t need to provide an explanation for why it closed W’s accounts and it has done so in line with their terms

W referred their complaint to this service. One of our Investigator’s then looked into W’s complaint. They recommended W’s complaint be upheld in part. In summary, their key findings were:

- Lloyds has complied with its obligations, and has done so in line with the terms of the accounts when closing them
- Lloyds doesn’t need to give a reason for closing the accounts
- W were incorrectly told the closure notification letter had not been sent to them by Lloyds and that it was likely an error or scam. This led W to think their accounts were

operating normally only for them to be closed later. In total, Lloyds offered W £260 compensation for this error. This is fair compensation

- Whilst balances were returned to W for two of their accounts, Lloyds failed to return £115.98 from a third account. Following this error, Lloyds sent these funds to W in June 2023. Due to this delay, Lloyds should pay W 8% simple interest on this amount

Lloyds agreed with what our Investigator said. Lloyds said it would pay W 8% simple interest on the £115.98 from 4 March 2023 until 26 June 2023.

W did not agree, and in summary made the following key points:

- They don't believe Lloyds complied with its legal and regulatory obligations
- As several payments with the reference 'Cuba' were made into their accounts, W has reason to believe Lloyds closed their accounts to comply with USA sanctions against Cuba which are not proscribed under UK law. Lloyds wished to avoid penalties from the USA Treasury department
- Banks have come under political scrutiny for closing accounts as there are concerns it could be done for wrong reasons

As there is no agreement this complaint has been passed to me to decide.

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, I've decided to uphold this complaint in part. I'll explain why.

Lloyds is entitled to close an account just as a customer may close an account with it. But before Lloyds closes an account, it must do so in a way, which complies with the terms and conditions of the account.

The terms and conditions of the account, which Lloyds and W had to comply with, say it could close the accounts by giving them at up to two months' notice. And in certain circumstances it can close an account immediately or with less notice.

Lloyds has explained and provide some information to show why it closed W's accounts in the way it did. Having carefully considered this, I'm satisfied that it has acted fairly and in line with the terms of the accounts in doing so. I note W has concerns Lloyds may have done so for the wrong reasons. But from what I've seen, I'm satisfied that isn't the case here, and so it hasn't done anything wrong.

I can understand why W want a detailed explanation, but Lloyds is under no obligation to so.

Lloyds accept it gave W incorrect information about the closure letter and the accounts not closing – when they were. Because of this error Lloyds say it has paid W £260 in total for the impact this had. This error likely prevented W from making alternative banking provisions sooner. But that should have been the effect in any event given the accounts should have been closed immediately - instead they remained open for three more weeks. So I think any inconvenience to W would still have occurred even if things happened as they ought to have done.

But I accept being told a letter Lloyds did send was likely a scam has caused avoidable inconvenience. Having given this some thought, I'm satisfied £260 compensation is fair. As I understand it this has already been paid to W.

Lloyds also accept that it made an error in not releasing funds of around £115 to W from the third account they held. Lloyds has subsequently released these funds to W – but it was around three months later than when it sent W the other funds.

From the information I've seen it's not clear when the funds from the two other accounts were returned to W electronically. I note W was still chasing these funds in February and March 2023. To put things right given W were deprived of their funds much longer than they ought to have, Lloyds must pay W 8% simple interest on £115.98 from the same date the other funds were returned up until settlement.

Putting things right

To put things right, Lloyds must:

- Pay W £260 compensation if it hasn't done so already
- Pay 8% simple interest on £115.98 from the date the other funds in their two other accounts were returned and do so up until settlement*

*If Lloyds considers that it's required by HM Revenue & Customs to deduct tax from that interest, it should tell W how much it's taken off. It should also give W a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons above, I uphold this complaint in part. Lloyds Bank PLC must now put things right as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask W to accept or reject my decision before 7 June 2024.

Ketan Nagla
Ombudsman