

The complaint

Ms K is unhappy Lloyds Bank PLC (Lloyds) closed her account without any reason to do so.

What happened

Lloyds blocked Ms K's account on 7 March 2023 to carry out a review. It completed the review, and the following day wrote to Ms K giving her 65 calendar days' notice that it would be closing her account.

Ms K was unhappy so complained to Lloyds. Lloyds issued its final response explaining that closing an account isn't a decision it takes lightly but following recent activity it felt Ms K's account no longer met its risk appetite. It explained the closure was in line with the terms and conditions. Finally, Lloyds said that it isn't required to give a reason for its decision – as this could make its system less secure - so it wouldn't be doing so.

Ms K remained unhappy so referred her complaint to our service. She said Lloyds' decision to close her account amounts to discrimination. She said the closure caused her distress and anxiety, which impacted her academic pursuits at the time, making it difficult to concentrate. Ms K says the closure also damaged her credit rating, as well as causing a loss of trust in the banking system and damaging her reputation.

Our investigator upheld Ms K's complaint recommending Lloyds pay her £100 compensation. She explained that Lloyds hadn't provided a reason for the closure of Ms K's account and therefore she wasn't able to conclude it had treated her fairly in doing so. However, she didn't make an award for any impact on Ms K's credit score as she hadn't been able to show any evidence of this.

Ms K believes she should receive a higher award of compensation and didn't agree with the investigator's findings. She reemphasised her points about the decision to close the account being discriminatory. The investigator asked Ms K to elaborate on this point and she explained that the closing of the account without any court decision or reasonable justification is a clear example of discrimination.

Because Ms K disagreed, the 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.

Lloyds has a wide range of legal and regulatory obligations it must meet when providing account services to its customers. These obligations are ongoing so don't just apply at account opening stage. To comply with these obligations, it may need to review accounts and the activity taking place on them. Sometimes these reviews will lead to the accounts being blocked and closed. If Lloyds didn't do this, it could risk serious sanction.

Lloyds isn't under any obligation to reveal to a customer why it blocked or closed an account. This information is often commercially sensitive. So, I don't think Lloyds did anything wrong in not communicating its reasons for blocking or closing the account to Ms K at the time, or since.

However, Lloyds does need to provide information to this service so we can fairly decide a complaint. Lloyds hasn't done so on this occasion – only saying Ms K fell outside of its risk appetite. This means I can't fairly and reasonably conclude it has complied with the legal and regulatory obligations – or terms and conditions of the account - when closing Ms K's account.

Lloyds hasn't explained why it won't provide further information to our service about the reasons for the closure on Ms K's account. But this service has the power to request evidence of this nature under the dispute resolution rules (DISP), so I'm not persuaded Lloyds has a reason to exclude it from complying with these rules regardless.

Taking this into account, I agree Lloyds should pay Ms K compensation for the trouble and upset she faced in having her account closed. Lloyds has agreed to pay £100 as recommended by our investigator. Whilst I appreciate Ms K thinks she should receive more; I don't feel this would be warranted in the circumstances. I'll explain why.

I don't dispute having her account closed without an explanation would have been upsetting for Ms K and this award is in no way meant to belittle how it made her feel. However, Ms K did receive notice of the closure, so was able to use her account as normal during this time and arrange her account to be switched, preventing the need for her to move all her payments manually. And whilst I appreciate her comments about her credit rating, I'm unable to recommend an award for this without any evidence her credit rating was impacted. That is to say, in this situation, I can't make an award for something that hypothetically may have happened.

Ms K has said she feels Lloyds' decision to close her account amounts to discrimination. Our service doesn't have the power to make a finding on discrimination under the Equality Act 2010 – that's something only the Courts can do. However, we do consider all relevant rules, regulations, and legislation when determining if a consumer has been treated fairly. So, that's what I've done in this case.

I appreciate why Ms K might feel the way she does, for the reasons she has explained. However, despite our multiple requests, she hasn't referenced any specific interaction (such as a call or specific piece of communication) where she thinks Lloyds has discriminated against her. Nor has she mentioned a protected characteristic under which she thinks Lloyds has discriminated against her. Given this, I'm unable to consider this point any further or make an additional award.

So, taking all the above into consideration, I therefore feel the £100 is fair and reasonable for the distress and frustration caused.

My final decision

My final decision is that I uphold Ms K's complaint against Lloyds Bank PLC and direct it to pay her £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 16 October 2023.

Sarah Brimacombe
Ombudsman