

The complaint

Mr Z complains that Lloyds Bank PLC closed his account without providing an explanation.

What happened

The detailed background of this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr Z had a current account with Lloyds which he used to receive his wages and pay his everyday living expenses.

In September 2023, following an internal review, Lloyds decided to close Mr Z's bank account and wrote to him giving him 65 days' notice that he'd need to make alternative banking arrangements.

Mr Z complained to Lloyds and said the closure of the account meant he would struggle to receive his wages from his new job. He pointed out that he had always maintained his account well for a number of years, and said he had a clean record with credit and fraud prevention agencies, so he said he couldn't think of any legitimate reason why Lloyds closed his account.

In response, Lloyds said it hadn't done anything wrong and following a review Mr Z's account said that it no longer wanted to provide him with banking facilities and that it wasn't obliged to provide Mr Z with an explanation. Lloyds said it had closed the account in line with the terms and conditions, so it said it hadn't treated Mr Z unfairly.

Unhappy with this response, Mr Z brought his complaint to our service. He said Lloyds had treated him very unfairly and that he hadn't breached any of the terms and conditions of the account. He said that since Lloyds closed his account, he was having a lot of problems trying to open another bank account. And an account he'd managed to open had been closed.

One of our investigators looked into Mr Z's complaint. After looking at all the evidence the investigator said that Lloyds hadn't done anything wrong when it had reviewed and closed Mr Z's account. She said that Lloyds didn't have to provide Mr Z with an explanation about why it no longer wanted him as a customer.

Mr Z disagreed. He maintained he hasn't been treated fairly and wants to be given a proper explanation for why Lloyds closed his account. He said that he's since had another bank account closed and that something just isn't right – so he needs to know why Lloyds closed his account.

As no agreement could be reached the matter has come 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.

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focused on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. But I have read all of Mr Z's submissions.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks and financial businesses as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information Lloyds has provided is information that we considered should be kept confidential. This means I haven't been able to share a lot of detail with Mr Z, but I'd like to reassure him that I have considered everything.

As the investigator has already explained, Lloyds has important legal and regulatory responsibilities to meet when providing accounts to customers. Those obligations are ongoing and don't only apply when an account is opened. They can broadly be summarised as a responsibility to protect people from financial harm and to detect and prevent financial crime. That sometimes means banks need to review, or in some cases go as far as closing customers' accounts. And that's what has happened here.

I've considered the basis for Lloyds' review, which I find was legitimate and in line with its legal and regulatory obligations. So, I'm satisfied Lloyds acted fairly and reasonably when it completed its review of Mr Z's account.

I understand that Mr Z wants Lloyds to explain the reason it reviewed his account in the first place. And I can see that Mr Z asked Lloyds to explain itself on several occasions. But Lloyds doesn't disclose to its customers what triggers a review of their accounts. And it's under no obligation to tell Mr Z the reasons behind the account review, as much as he'd like to know. So, I can't say it's done anything wrong by not giving Mr Z this information. And it wouldn't be appropriate for me to require it to do so.

I've next gone on to consider whether Lloyds acted fairly when it closed Mr Z's account. The terms and conditions of Mr Z's account set out that Lloyds can close the account by providing two months' notice. And in certain circumstances immediately. In this case I can see that Lloyds wrote to Mr Z on 27 September 2023, giving him the full notice period. So, I'm satisfied that Lloyds has complied with this part.

I've also considered Lloyds's reason for closing the account. In doing so, I appreciate that Lloyds is entitled to set their own policies and part of that will form their risk criteria. It is not in my remit to say what policies or risk appetite Lloyds should have in place. I can however, while considering the circumstances of individual complaints, decide whether I think customers have been treated fairly. As long as they reach their decisions fairly, it doesn't breach law or regulations and is in keeping with the terms and conditions of the account, then this service won't usually intervene. They shouldn't decline to continue to provide banking services without proper reason, for instance of unfair bias or unlawful discrimination. And they must treat new and existing customers fairly.

Lloyds has provided some further details of its decision making process, I'm sorry but I can't share this information with Mr Z due to its commercial sensitivity. But I've seen nothing to suggest Lloyds's decision around closing Mr Z's account was unfair. On balance when considering Lloyds's wider regulatory responsibilities and all the information available to me, I find Lloyds had a legitimate basis for closing Mr Z's account and not tell him why. So, I don't find Lloyds treated Mr Z unfairly when it closed his account. And I won't be asking Lloyds to reopen the account.

I understand of course why Mr Z wants to know the exact reasons behind Lloyds' decision, other than what he's previously been told. And I can see that Mr Z has asked Lloyds to explain itself on several occasions. It can't be pleasant being told you are no longer wanted as a customer. And I appreciate that Lloyds' decision caused Mr Z inconvenience. Mr Z has also said that he suspects Lloyds actions have caused a domino effect of other accounts he's opened being closed. But Lloyds is under no obligation to tell Mr Z the reasons it no longer wants him as a customer. So, I can't say it's done anything wrong by not giving Mr Z this information. And it wouldn't be appropriate for me to require it do so.

That's because Lloyds is entitled to close an account with Mr Z just as he is entitled to close his account with Lloyds. It's generally for banks and financial businesses to decide whether or not they to continue to provide, banking facilities to any particular customer. Unless there's a very good reason to do so, this service won't usually say that a bank of financial business must keep a customer or require it to compensate a customer who has had their account closed.

Finally, in his submissions Mr Z has set out that he has had at least one other bank account closed. He suspects Lloyds actions has led to this domino effect because he's checked and has a clean record with Cifas, the UK fraud prevention agency, so he believes that the problems he is encountering with other banks started with Lloyds closing his account.

I can understand Mr Z's concerns. But as I've said above, each financial institution has its own criteria and risk assessment for deciding whether to open or close accounts. And I can't comment on the actions or decisions of another bank. But I've not seen any evidence that the problems Mr Z encountered in relation to his other bank account being closed had anything to do with Lloyds' decision to close the account he had with them.

In summary, it's clearly caused Mr Z inconvenience when Lloyds closed his account. So, I realise Mr Z will be disappointed by my decision. But having looked at all the evidence and circumstances of this complaint, I can't say Lloyds treated Mr Z unfairly when it reviewed and closed his account. So, I won't be asking Lloyds to do anything to resolve his complaint.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Z to accept or reject my decision before 26 June 2024.

Sharon Kerrison
Ombudsman