

The complaint

Miss H complains that Lloyds Bank PLC closed her accounts without providing an explanation or warning. She is also unhappy that Lloyds prevented her from accessing the money in her accounts. Miss H says this caused her unnecessary inconvenience and worry.

What happened

Miss H had a current account and savings account with Lloyds.

In March 2023, Lloyds decided to close Miss H's accounts. Lloyds wrote to Miss H on 27 March 2023, giving her 65 days' notice that she'd need to make alternative banking arrangements. During the notice period Lloyds blocked all transactions on the accounts and said Miss H could only access the funds in her account by visiting a branch with identification. At the time the balance of her current account was just over £80, and her savings account had a balance of just over £9,000.

Miss H complained to Lloyds and asked the bank for an explanation for why it no longer wanted her as customer. She said she had maintained her accounts properly over the years so couldn't understand why the bank had decided to close her accounts. She explained that she used her savings account to receive her university grant and her current account to pay for everyday expenses, and she didn't have any other bank accounts, so she said that her Lloyds accounts were important to her.

In response, Lloyds said it hadn't done anything wrong and had complied with the terms and conditions of the accounts in deciding to close them. The bank also explained that it didn't have to provide Miss H with the reasons for its actions and that it had notified Miss H when it sent her the notice to close letter that she wouldn't be able to access her accounts without going into a branch.

Miss H says that within a day of receiving the letter from Lloyds about closing her accounts, she went into a branch to withdraw her account balances. However, Miss H says that when she went into branch to take out her money Lloyds refused to allow her access to all the money in her savings account and would only allow her to take out her university grant. This meant she had to make another trip to branch to take out the remaining funds from her savings account.

Miss H brought her complaint to our service. Miss H says she called Lloyds on several occasions trying to find out why she couldn't access her account. But Lloyds wouldn't give her much information. Miss H has also said that she made a number of trips to branch, because Lloyds wouldn't give her all of her money in her savings account, which was inconvenient and stressful because at the time she had a heavy load of university assignments to complete. She wants Lloyds to explain why it closed her accounts and pay her compensation for the trouble and upset its actions caused her.

One of our investigator's reviewed Miss H's complaint and asked Lloyds to provide more information about why it had blocked and closed Miss H's accounts. Lloyds said that it was

entitled to block and close Miss H's accounts. But said it couldn't provide anything more than it had already provided to us. It also said that Miss H had been able to access the money in her accounts during the notice period by attending a branch.

The investigator said that based on the limited information the bank had provided, she couldn't say the bank had treated Miss H fairly when it had blocked and closed her accounts. So, she said Lloyds should pay Miss H £100 compensation along with interest for the trouble and upset she'd been caused by the bank's actions, and not being able to access the money in her accounts.

Miss H accepted the investigator's recommendation. Lloyds agreed to pay the £100 compensation but wasn't happy to pay the interest that the investigator had awarded. It said it had allowed Miss H full access to the funds in her account during the notice period. Following this, the investigator asked Miss H why she hadn't taken out all of her funds based on what Lloyds had said. Miss H didn't respond. So, the investigator issued a new view based on the information Lloyds provided and said that the bank still had to pay Miss H compensation but didn't have to pay the interest on the account balances.

Lloyds agreed with the investigators view. Miss H didn't. She maintained that when she went into a branch the staff wouldn't allow her access to all the money in her savings account. She said she had to make more than one trip which was evident from the activity on the account. So, she said that Lloyds should also compensate her for the loss of use of the money in her account – in other words she was happy with the outcome that the investigator had reached initially. And she wants more compensation.

As no agreement could be reached the matter came to me to decide. Prior to issuing my decision I asked the investigator to go back to Lloyds and clarify some things – in particular I asked Lloyds whether it had stopped Miss H accessing money in her savings account other than her university grant, and to provide an explanation for the closure of the accounts.

Lloyds responded and maintained that it hadn't stopped Miss H from accessing any money in her accounts. It said that Miss H could have accessed her funds at any time during the notice period by visiting a branch with ID. Lloyds didn't provide anymore information about why it had closed the accounts.

After reviewing all the evidence and circumstances of this complaint I reached a different outcome to the investigator. I issued a provisional decision which said the following:

Lloyds have important legal and regulatory obligations they must meet when providing accounts to customers. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime. It's common industry practice for firms to restrict access to an account to conduct a review on a customer and/or the activity on an account. The terms of Miss H's accounts also permit Lloyds to block an account. This means Lloyds is entitled to block and review an account at any time.

Banks are also entitled to end their business relationship with a customer, as long as this is done fairly, doesn't breach law or regulations and is in keeping with the terms and conditions. In this instance the terms of Miss H's accounts say that in certain instances Lloyds can close the accounts with immediate notice and by providing two months' notice to a customer. And it doesn't have to provide a reason for doing so.

Lloyds wrote to Miss H in March 2023, giving her 65 days' notice that it was closing her accounts and that she'd need to make alternative banking arrangements. So, its complied with this part.

I understand Miss H wants Lloyds to explain the reason it blocked and closed her accounts. It can't be pleasant being told you are no longer wanted as a customer. But Lloyds doesn't disclose to its customers what triggers a review of their accounts to its customers. It's under no obligation to tell Miss H the reasons behind the account review and block, as much as she'd like to know. It's also under no obligation to provide Miss H with the reasons it no longer wants her as a customer. So, I can't say it's done anything wrong by not giving Miss H this information. And it wouldn't be appropriate for me to require it do so.

However, Lloyds needs to provide information to this service so we can fairly decide a complaint. Despite being asked by the investigator, Lloyds has failed to provide information about why it blocked and closed Miss H's accounts. I've considered what Lloyds has said about why it won't provide further information to our service. And the information it has provided about why it blocked and closed Miss H's accounts.

This service has the power to request evidence of this nature under the dispute resolution rules (DISP) and I'm not persuaded the reasons given by Lloyds exclude it from complying with these rules. So, in this particular case, because of the lack of information I can't be satisfied that Lloyds has treated Miss H fairly when it blocked and closed her accounts. Taking this into account, I agree with the investigator that Lloyds should pay Miss H compensation for the trouble and upset caused by blocking and closing her accounts.

The investigator said that Lloyds should pay Miss H £100 compensation. I've considered what Miss H has said about her circumstances and how Lloyds's closing her accounts impacted her. I've no doubt this was a worrying and stressful time for Miss H, especially as at the time she had a lot on with her university workload and had to go to the trouble of opening new bank accounts. Having considered the impact on Miss H I'm satisfied that £100 compensation recommended by the investigator recognises the impact Lloyds's closing Miss H's accounts had in the overall circumstances of this complaint.

Miss H also says she had problems trying to gain access to the money in her accounts – despite Lloyds telling her she would be able to get her money by going into a branch with some identification. Miss H says when she went into a branch the staff would only let her have access to her university grant of just under £2,000 and she had to make another trip to get the rest of the money in her savings account, which was around £7,000.

We've asked Lloyds about this, and it has maintained that Miss H was able to access all of her funds during the notice period. But from looking at Miss H's bank statements and what she's said I don't think this is quite right. I say this because I can see that Miss H took out just over £88 from her current account on 29 March 2023 and on 4 April 2023, she transferred her university grant. I can't think of a reasonable explanation for why Miss H wouldn't have taken out all of the money in her accounts – it's clear from what she's told us that this is what she wanted to do. Based on the account activity it appears Miss H wasn't able to do this until 5 April 2023, when Lloyds issued her a cheque for the remaining balance of her savings account. So, in the absence of any explanation from Lloyds, I think it's more likely than not that Lloyds didn't allow Miss H access to all her funds during the notice period.

Miss H says she had to visit a branch on more than one occasion to gain access to all of her money, which would have been inconvenient. The information in the letter Lloyds sent Miss H about closing her accounts was also misleading – it said Miss H would be able to access her money if she visited a branch. But that wasn't quite right. So, I'm satisfied that Miss H has been caused further inconvenience, and that Lloyds should pay Miss H an additional £50 compensation. In reaching this conclusion I've thought about adding interest to the balances for loss of use the money in her accounts, but I'm satisfied that the additional compensation is a fair and reasonable amount of compensation given the length of time Miss H didn't have full access to her accounts.

To put things right I said Lloyds should pay Miss H £150 compensation for the trouble and upset caused by the bank closing and blocking her account

Lloyds agreed with my provisional decision.

Miss H didn't agree and provided more information. In summary she said:

- Lloyds didn't treat her fairly because it prevented her from withdrawing all the funds from her savings account, which was very stressful and upsetting
- She had accepted the investigator's view which recommended Lloyds should pay interest for loss of use of the money in her savings account. She still wants this to be paid.
- She suspects some internal bank fraud has been committed by staff at her local branch which is now being covered up by staff because Lloyds hasn't provided information to our service about why it closed Miss H's accounts
- She wants to know why Lloyds don't want her as a customer
- She is worried that she won't be able to open bank accounts in the future

Now that both sides have had an opportunity to provide further information I can go ahead and issue my final decision.

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.

In response to the provisional decision, Miss H has highlighted a number of concerns, which I'll now address below.

Miss H has said that he suspects Lloyds are covering up and that some type of fraud is being committed by staff at her local branch because her account was closed. This is a very serious allegation to make. Whilst I can appreciate this is her perspective it is not the role of the Financial Ombudsman Service to decide whether a business has acted unlawfully or not – that's a matter for the Courts.

Miss H wants to know why Lloyds no longer wants her as a customer. I can understand of course why Miss H wants this information. But Lloyds is under no obligation to provide Miss H with the reasons it no longer wants her as a customer. So, I can't say it's done anything wrong by not giving Miss H this information. And it wouldn't be appropriate for me to require it do so.

I appreciate that Miss H is understandably concerned that Lloyds closing her account will impact her ability to open other bank accounts. But Lloyds can't be held responsible for the decisions that may be made by other financial institutions. Other banks and financial businesses will have their own criteria, terms, and conditions which they work to when deciding whether to offer an account to a customer.

Miss H says Lloyds haven't treated her fairly because it didn't let her take out all of the money in her savings account. I agree which is why I have upheld Miss H's complaint and awarded her additional compensation. I've already set out my reasons for reaching this conclusion, in my provisional decision.

Finally, Miss H has said that she also wants to be paid interest for loss of use of the money in her savings account. As I said in my provisional decision, I've thought about adding interest to the balances for loss of use of the money in her accounts, but I'm satisfied that the additional £50 compensation is a fair and reasonable amount of compensation given the length of time Miss H didn't have full access to her accounts. I've considered Miss H's further comments on this point. But these don't change my conclusions. So, I'm not persuaded to ask Lloyds to pay anymore compensation.

In summary, I see no reason to depart from my provisional findings. I remain of the view that this complaint should be upheld for the reasons set out in my provisional decision, which are repeated above and form part of this decision.

My final decision

For the reasons I've explained, I uphold this complaint and direct Lloyds Bank PLC to put things right by doing the following:

- Pay Miss H £150 compensation for the trouble and upset caused by the bank closing and blocking her account

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss H to accept or reject my decision before 27 May 2024.

Sharon Kerrison
Ombudsman