

The complaint

Mr H is unhappy Lloyds Bank Plc have closed his account. He's also unhappy with the service it provided leading up to and following the account closure.

What happened

Mr H has told us:

- Lloyds has refused to refund an unauthorised transaction made on his account – a £300 payment made to an online gambling site ('the merchant'). Mr H had tried to withdraw £300 from his account with the merchant and due to what he believes is an error with its website this money was instead credited to his merchant account. The money was taken from his Lloyds account.
- The £300 credited his online account with the merchant, but despite several attempts to withdraw it, he hasn't been able to. He's said the merchant had asked for an unreasonable amount of documentation before the money can be released and he didn't think he should have to provide this. Because of this he felt Lloyds should reimburse him for his loss as he's in dispute with the merchant. He also told Lloyds that he did provide the documentation the merchant requested, but despite this it still hasn't returned his money.
- He is unhappy with the way Lloyds handled his complaint. In particular he felt the women he spoke to were all unhelpful and unprofessional and he stated that one person in particular spoke 'very poor' English and was not easy to understand.
- He's unhappy Lloyds has made the decision to close his account. As a result of its decision to do this he was left without access to his money which had a significant impact on him. It also caused him considerable inconvenience as he had to arrange to use other bank accounts.
- He thinks it's unreasonable Lloyds said it was unable to release the funds in his account until he visited branch with appropriate identification.

Lloyds has told us:

- It hasn't seen evidence to support the payment of £300 to the merchant was unauthorised.
- It considered whether it could make a successful chargeback to recover the funds for Mr H. In order to consider this further it asked him for evidence to support his claim. Such as, evidence that his account had been restricted, evidence of the withdrawal attempts, the balance, evidence he'd tried to contact the merchant and the terms and conditions of his account with it. Mr H didn't provide this information so ultimately it couldn't conclude the funds weren't still available to Mr H albeit in an account in his name with another business. It told him that if he wanted the funds

returned he should liaise with the merchant in order to arrange this.

- Following a review of the account, on 6 March 2024, Lloyds decided to close it. It gave Mr H 60 days' notice of its intention to do this and advised him he could come into branch with suitable identification ("ID") in order to obtain the balance of the account. It restricted access to his account from this date. It was satisfied its decision was in line with its processes.
- Mr H contacted Lloyds on numerous occasions to discuss his ongoing complaints. Lloyds acknowledged there were times when Mr H had spent longer than necessary on the phone trying to get through to someone and offered him £30 for the costs of these calls.

Our investigator looked into things and concluded that Lloyds had acted fairly in closing the account and not reimbursing Mr H for the £300 payment he said he didn't authorise. But they felt that given the restrictions put in place on his account within the 60 day notice period, his account was effectively closed without sufficient notice. They asked Lloyds to pay Mr H £125 in compensation for the distress and inconvenience caused.

Lloyds accepted the investigator's findings, Mr H did not. He also raised other, new complaints in response to the investigator's view which they advised would need to first be raised with Lloyds directly and wouldn't form part of this complaint.

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.

This complaint is about Lloyds' decision to close Mr H's current account. I'm aware Mr H has since raised additional complaint points about a separate account he held with Lloyds which is being considered separately. Under this complaint I've only considered the points I have addressed below.

Has Lloyds acted fairly in closing Mr H's current account

Banks are entitled to decide for themselves whether to do business or continue doing business with a customer. Each financial institution has its own criteria and risk assessment for deciding whether to continue providing accounts and providing an account to a customer is a commercial decision that a financial institution is entitled to take. That's because it has the commercial freedom to decide who it wants as a customer. And unless there's a good reason to do so, this service won't usually say that a bank must keep a customer.

Having reviewed the information Lloyds has relied on when making its decision to close Mr H's account, I'm satisfied its decision was fair. Whilst I can't disclose more information about this to Mr H I hope I can provide assurance that his account wasn't closed for an improper reason.

Lloyds gave Mr H 60 days' notice of its intention to close the account. But, it then put restrictions in place that prevented him using the account, effectively closing it immediately. I don't think the information provided by Lloyds supports that closing Mr H's account immediately was fair and reasonable in this case. So like the investigator I agree it should pay him compensation for this and I'm satisfied the £125 it's already agreed to pay is reasonable here.

I've noted Mr H's comments that this amount is not enough and he feels the compensation amount should be higher, and we have asked him for more specific information about the impact of the immediate closure. And I have taken his comments into account when deciding whether or not this amount is fair.

There will always be some inconvenience involved in opening a new account, or switching to another bank account in your name. And as the decision to close the account overall was fair, I do think some of this inconvenience was unavoidable – Mr H always would've had to have made alternative banking arrangements. He also always would've had to have visited branch in order to release the money in this account. And whilst I understand H is unhappy that he had to do this, I'm satisfied this was a requirement Lloyds was entitled to put in place.

So overall I accept the sudden loss of access to his funds would've had an impact. I haven't seen anything to persuade me that the £125 previously recommended is unreasonable in this case.

Mr H has expressed concern that the reason for the closure is the numerous complaints he's made to Lloyds, which he said is an error because on some occasions he believes it has logged the same complaints multiple times. I want to assure Mr H this isn't the reason for the closure, despite what he's said he was told by one agent he spoke to. As I've confirmed, I'm satisfied the decision to close his account was reasonable.

Should Lloyds have reimbursed Mr H for the £300 payment he's said he didn't authorise

Mr H had an account with the merchant that he could credit funds to and withdraw funds from. It appears Mr H had used the merchant's services previously.

Where there is a dispute about what happened, and the evidence is incomplete or contradictory, I must reach my decision on the balance of probabilities – in other words, on what I consider is most likely to have happened given the available evidence.

The relevant law surrounding authorisations are the Payment Service Regulations. The basic position is that Lloyds can hold Mr H liable for the disputed payments if the evidence suggests that it's more likely than not that he made them or authorised them. Authorisation is made up of two parts. Authentication and consent. Authentication is usually referred to as the technical evidence and in this case, Mr H's details were used to make the payment and I'm satisfied the disputed transaction was authenticated.

But the regulations relevant to this case say that it is not, on its own, enough to enable Lloyds to hold Mr H liable. I also need to think about whether the evidence suggests it's more likely than not he consented to the payment being made.

Mr H has said he didn't consent to the payment because he didn't instruct the merchant to credit his merchant account on the occasion he's disputing. He's said he was trying to withdraw the £300 that was already in his merchant account. He says it must've been due to an error with the merchant's website that when he selected 'withdraw' it credited his merchant account instead – taking the money from his Lloyds account.

I don't think there is persuasive evidence that this is more likely to have been what happened in this case. Lloyds has asked Mr H for any information or correspondence between him and the merchant that might support this and he's been unable to provide it. Whilst it's possible there was an error with the merchant's website, it's also possible the situation was caused by user error.

But in any event, I don't think Mr H has demonstrated he has actually lost the money. So I don't think there's anything for Lloyds to reimburse at this stage.

Mr H has said he's tried to liaise with the merchant to get the money back and this hasn't been successful. And on this basis Lloyds has treated the situation as a dispute between Mr H and the merchant rather than an unauthorised transaction. I think this is reasonable.

Having established Mr H was in dispute with the merchant, Lloyds considered whether it would be appropriate to raise a dispute on Mr H's behalf under the chargeback scheme. And this is what I would've expected it to consider in the circumstances.

A chargeback is the process by which payment settlement disputes are resolved between card issuers and merchants, under the relevant card scheme rules. What this means is that Lloyds can, in some circumstances, ask for a transaction to be reversed if there's a problem with the goods or services supplied by the merchant that the consumer has paid for. But the chargeback process doesn't give the consumer legal rights and it isn't guaranteed to result in a refund.

There first must be a right to apply for a chargeback under the card scheme rules. And it's important to note that chargebacks are decided based on the card scheme's rules not the merits of the cardholder/merchant dispute. So it wasn't for Lloyds to decide whether Mr H would get his money.

I'd consider it to be good practice for Lloyds to have raised a chargeback if it had a good chance of being successful. But in this case, it didn't feel there was a good chance of success here. And having considered the information provided I think this was a reasonable conclusion.

Mr H said the merchant was withholding his money from him because he'd tried numerous ways to withdraw it and they wouldn't allow it. He then said his account had been restricted. Lloyds made a reasonable request for information from Mr H to support his testimony and to try and establish what the dispute was. It asked for evidence he'd contacted the merchant, evidence the merchant had confirmed the money would not be returned to him, evidence the account had been restricted, any evidence of his attempts to withdraw the money and a copy of the merchant terms and conditions.

Mr H then spoke to Lloyds over the phone and according to its records told it that the merchant wanted photo ID in order to process the withdrawal of his money. He said he had raised a complaint with the merchant but hadn't heard back from it and again said his account was restricted. Following this Lloyds tried to contact Mr H again by phone and email to discuss the situation further but was unable to reach him.

Based on this, I think Lloyds made a reasonable attempt to investigate this situation. Despite this, I don't think it had been established exactly what the dispute with the merchant was. It wasn't clear if Mr H truly was unable to access his money or whether he simply didn't agree he should have to provide the documents it had requested in order to obtain it. Whilst he'd said he'd attempted withdrawals, it wasn't clear if the issue was that he hadn't followed the required process or if there was a problem with the merchant or the services he had paid for.

And whilst Mr H told Lloyds his account with the merchant had been restricted which is why he was unable to obtain any evidence or correspondence, it's unclear why this had happened, what the restrictions were or what they related to. Despite Lloyds' requests Mr H didn't provide any further information about this or what he'd been told by the merchant.

Lloyds isn't required to raise a chargeback because Mr H is unhappy with a merchant's processes or because he believes this would be a more convenient option than dealing with the merchant directly. In this case, given the lack of information available about the dispute, Lloyds was unable to see a chargeback would've likely been successful and so it's reasonable it didn't raise one.

If Mr H does have any further information he can provide Lloyds to support its investigation or if the situation has progressed since he made this complaint, he should contact Lloyds to discuss this so it can consider things again.

Mr H is unhappy with the customer service provided by Lloyds

Our service is only able to consider complaints about regulated financial activities. These activities are outlined in the Financial Conduct Authority's (FCA) handbook that deals with dispute resolution – the DISP rules. A full list of these activities can be found under DISP 2.3.1.

Some of Mr H's complaint about the customer service Lloyds has provided is in relation to the way Lloyds handled his complaint. As complaint handling is not a regulated activity, this isn't something our service can consider.

But, having reviewed the records provided by Lloyds that show its contact with him regarding the dispute and the account closure, and having considered Mr H's comments regarding the customer service he's received, I haven't seen evidence to persuade me the customer service Mr H has received was unreasonable overall. It's clear he was unhappy Lloyds wasn't complying with his request to send him the £300 he said he'd lost, but this was a legitimate response Lloyds was entitled to give him.

Lloyds has acknowledged that Mr H did spend too long on the phone at times and has offered him £30 in acknowledgement of this. Overall I think this is reasonable.

My final decision

I uphold this complaint. Lloyds Bank Plc should pay Mr H a total of £155 in relation to this complaint. If it has already paid the £30 previously offered, it does not need to make this payment again. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 17 April 2025.

Faye Brownhill
Ombudsman