

## **The complaint**

Mr M is unhappy that Lloyds Bank PLC closed his account and asked him to repay money, following a disputed ATM claim. Mr M wants compensation and his account reopened.

## **What happened**

Mr M had an account with Lloyds.

In late 2022 Mr M went on holiday overseas. Whilst abroad he attempted to withdraw cash from his account using an ATM. Mr M says that each time, he used the ATM he didn't receive the cash. However, when he returned to the UK, he checked his account statements and discovered that each of the ATM transactions had been debited from his account, and that his account had gone into an unarranged overdraft.

Mr M disputed the transactions with Lloyds who investigated and held Mr M liable for the transactions. Lloyds asked Mr M to repay the outstanding balance of his account and clear his overdraft.

Mr M explained to Lloyds he wouldn't be paying, but Lloyds continued to pursue the overdraft balance from him. And recorded a default against Mr M.

Following this Mr M raised a complaint with our service about the ATM transactions – he said he didn't receive the funds from the ATM, whereas Lloyds said he did.

During the time our service was investigating the complaint, Mr M's account with Lloyds was closed with the outstanding balance not being repaid. Lloyds wrote to Mr M on 23 January 2023, given him 60 days' notice that he'd need to make alternative banking arrangements.

After an investigation, our service found Lloyds needed to reimburse Mr M the disputed transactions. Lloyds accepted this in November 2023. Mr M's overdraft was written off and the remaining refund and 8% compensatory interest paid to Mr M's preferred account. Lloyds also removed the default that was reported to Mr M's credit file.

Mr M remained unhappy and said that given the circumstances Lloyds should not have kept chasing him to repay the outstanding debt – especially as he'd raised a complaint with our service about the disputed transactions. He said that the letters Lloyds sent him asking him to repay the money were stressful, and upsetting. He also said he had to speak to Lloyds on more than one occasion to explain why he wasn't happy to repay the overdraft balance.

In response, Lloyds said it hadn't done anything wrong when it had asked Mr M to repay what he owed, and it said that it was under an obligation to report accurate information regarding Mr M's account to credit references agencies. Lloyds also said that Mr M would be able to reapply for an account with them if he wanted to do so.

An investigator reviewed Mr M's complaint. In summary they said:

- Banks have strict regulations which they must adhere to - part of this is keeping their customers up to date with any outstanding credit commitments, missed payments and any potential credit file impact.
- Mr M spoke to Lloyds a number of times to discuss his financial situation and the ongoing disputed transactions complaint.
- Lloyds placed a 30-day hold on the account on 18 February 2023 to help support Mr M.
- Lloyds let Mr M know on 29 March 2023, that they would be closing his account in two months if the balance wasn't paid. It sent a follow up letter on 5 May 2023 saying his account would close in 30 days if the balance wasn't paid. The account was closed after that period.
- Lloyds didn't act incorrectly in the way they elected to close the account.
- It's extremely unlikely the Mr M would be in the position, and the account wouldn't be closed, had Lloyds come to the right outcome in the first place about the ATM dispute.
- The investigator didn't think there were untimely delays in Lloyds reaching their outcome on Mr M's complaint matters, and noted that Lloyds had spoken to Mr M regularly about his concerns and tried to support him.
- The outcome hadn't been reached by our service yet regarding the ATM transactions, so they didn't think Lloyds acted incorrectly in reporting the overdraft information to the credit reference agencies and sending Mr M the letters they needed to as a regulatory requirement.
- Lloyds had removed the default and confirmed that Mr M was able to open a new account with them. So, she said Lloyds had didn't have to do anything more to resolve Mr M's complaint.

Lloyds agreed with the investigator. In summary it said;

- It had agreed that its service feel short regarding Mr M's disputed transactions complaint. To put things right it had refunded the transactions, which had cleared Mr M's overdraft, paid interest on the funds, and £150 compensation. All parties were aware the account had closed, and Mr M's credit file was also updated at this time.
- Mr M made this complaint he was unhappy Lloyds closed his account whilst our service was looking into the above issue.
- Lloyds are unable to just put an account on hold for ever. The account was overdrawn and in collections, Lloyds had reached out to Mr M with support but had not agreed a repayment plan, the hold finished, Lloyds sent two further letters asking Mr M to contact them before the account closed. There was no error in closing it, the default was removed in the end as per the previous complaint and the balance brought to zero.
- Mr M is free to open a new account going forward if he wishes
- No further compensation can be paid now as there was no error in closing the account and it was closed prior to the outcome on previous settlement.

Mr M didn't agree. In summary, he said:

- Lloyds took too long to look into things.
- Lloyds continued to send Mr M letters chasing repayment of the overdraft.
- Mr M received letters from Lloyds on 3 January 2023, 18 February 2023, 29 March 2023, 5 May 2023 and 9 June 2023.

- Lloyds were made aware that there was complaint outstanding that had been raised on the 23 February 2023, well before the account was closed.
- Lloyds should not have closed Mr M's account and it should have been put on hold whilst our service investigated the disputed transactions complaint.
- Mr M has been constantly writing to Lloyds which takes time and effort.
- Mr M isn't well, and this matter has taken its toll on his health.
- He wants compensation for Lloyds closing 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.

Firstly, I'm sorry to hear about the stress and worry Mr M has experienced here. I appreciate that being pursued for a debt he says he genuinely didn't believe was his will have been very worrying.

Mr M says Lloyds' decision to continue chasing him for the debt and close his account was inappropriate given he had raised a fraud claim.

Following an investigation by our service Lloyds has accepted that Mr M isn't liable for the disputed transactions. So, what's left for me to consider is the level of service Lloyds provided throughout the investigation and the other things affected by Mr M's debt, such as his credit file and the closure of his account.

Mr M first raised concerns with Lloyds in December 2022 about the disputed transactions. It took until 13 March 2023 for Lloyds to share the outcome of their fraud investigation with him – this was *after* Lloyds had taken the decision to close Mr M's account.

The fraud investigation carried out by Lloyds led it to hold Mr M liable for the debt. This meant it was required to inform Mr M of the outstanding balance and follow its regulatory obligations for pursuing an outstanding debt.

I appreciate Mr M wasn't happy that Lloyds chased the debt whilst the fraud investigation was ongoing, but as our investigator mentioned, they do have legal duties when chasing debts. These couldn't be put aside whilst our service looked into Mr M's disputed transactions complaint. So, I don't think Lloyds were wrong to contact Mr M.

I'll next deal with the closure of Mr M's account. I can see from looking at the evidence, including the letters and contact notes that Mr M spoke to Lloyds a number of times to discuss his financial situation and the ongoing disputed transaction complaint. I can see Lloyds placed a 30-day hold on the account on 18 February 2023 to help support Mr M in the meantime.

Lloyds let Mr M know on 29 March 2023, that they would be closing his account in two months if the balance wasn't paid. They sent a follow up letter on 5 May 2023 saying his account would close in 30 days if the balance wasn't paid. It's my understanding the account was closed after that period. I'm satisfied Lloyds didn't act incorrectly in the way they elected to close the account giving two months' notice, which is in line with their terms. However, I also acknowledge that it's unlikely that Mr M would be in this position, and the account wouldn't have been closed, had Lloyds come to the right outcome in the first place about the

ATM dispute. That being said Lloyds was entitled to conduct its own fraud investigation which is what it did here. And to reach its own conclusions.

In summary, I can't see there were untimely delays in Lloyds reaching their outcome and can see they spoke to Mr M regularly about his concerns and offered to support him. Our service also hadn't yet reached an outcome regarding the ATM transactions. So, I don't think Lloyds acted incorrectly in reporting information to the credit reference agencies and sending Mr M letters about the overdraft. I also don't think Lloyds treated Mr M unfairly when they closed his account.

### **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 M to accept or reject my decision before 14 April 2025.

Sharon Kerrison  
**Ombudsman**