

The complaint

D, a charity, complains about the way Lloyds Bank Plc closed their accounts. They say the closure disrupted the work of the charity and led to them missing out on donations.

The charity is represented by a trustee, Mr S.

What happened

D held a Lloyds account. But in May 2023 the bank wrote to Mr S to say they would be closing it in two months' time. They did not provide a reason for this.

Mr S complained to Lloyds. They responded to say they had issued a notice to close based on the terms of the account. But they also said that they'd submitted an appeal on the closure, and the date of account closure had been pushed back to 31 August 2023. There were discussions about the account closure between Mr S and Lloyds, which he feels left the decision unclear. So, he was surprised when the accounts were closed in October 2023.

Unhappy with what happened Mr S referred D's complaint to our service, saying that the account closure had meant they'd lost regular donors. One of our investigators looked into what happened. They thought the complaint should succeed in part. They felt Lloyds were within their rights to close the account, but the bank should have provided a clearer notice of the date of closure. They felt Lloyds should pay D £300 in compensation.

Lloyds accepted this. But D declined this, saying that the closure took up a large amount of time and resource of the charity. They felt a larger payment would be appropriate. As no agreement could be reached, 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 have a broad commercial discretion on who they provide accounts to, and on what terms. It would be rare that our service would say a bank should have kept servicing an account once they've taken the decision to end the banking relationship. Generally, we'd look to ensure the decision was taken reasonably, and the closure conducted in line with the terms of the account.

In this case Lloyds initially gave D two months' notice of the closure – which is in line with both the terms of the account, and wider industry regulation in relation to payment accounts. This is generally thought to be long enough to arrange banking facilities elsewhere.

Lloyds aren't under any specific obligation to explain to D why they've decided to close the accounts – and have declined to do so here. But they have given an explanation to our service.

The rules of our service allow us to treat some evidence as confidential, for example where it involves information about third parties, or security procedures. I'm satisfied that it's appropriate that the reasoning for Lloyds closing D's account remain confidential. So, I'm sorry to Mr S that I won't be detailing it in full here. But I'm satisfied that the closure was reasonable – it was a legitimate commercial decision that Lloyds were entitled to make.

While I've no doubt the closure was inconvenient to D, it wouldn't be fair for me to ask Lloyds to compensate for inconvenience that flows from their reasonable decision. For example, the donations D has said stopped after the closure. D would always have to work with their donors to change over the account they were being paid in to.

Lloyds extended the deadline for closure while it was under appeal, and I see this as reasonable. And having reviewed the communications and phone calls between the bank and Mr S, I'm not persuaded that the bank created an expectation the closure decision had been reversed or changed. But I see that the bank ought to have been reasonably clear about when the account was closing.

The closure date of 31 August 2023 came and then went, but the account still operated. While D ought reasonably to have made other banking arrangements, I can see why there would be confusion about why the account hadn't been closed. And I've not seen anything to suggest Lloyds made it clear when they would be withdrawing the account.

I understand Mr S had made alternative arrangements. But, while the closure could reasonably have been anticipated by D, without specific information from the bank I can see it will have caused disruption when the account suddenly closed. On that basis, I see that it's appropriate that Lloyds compensate D. And having considered the time taken, and the steps D had already taken to mitigate the circumstances, I'm satisfied that £300 is a fair amount.

My final decision

My final decision is that I uphold this complaint and direct Lloyds Bank PLC to pay D £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 7 January 2025.

Thom Bennett
Ombudsman