

The complaint

Mrs A complains that Lloyds Bank PLC closed her account without warning and will not reopen the account for her. She is also unhappy that they will not accept the proof of address document she provided to them.

What happened

Mrs A opened an account with Lloyds in May 2023.

On 11 July 2023, Lloyds closed Mrs A's account without any notice. The closure letter said she had instructed them to close the account.

Mrs A complained to Lloyds about the closure of her account, and they explained that they'd closed the account as they hadn't received the additional proof of address document, they'd requested from her.

Mrs A was unhappy with Lloyds' response, so she brought her complaint to our service. She told us Lloyds hadn't requested any additional documentation from her.

One of our investigators looked into the matter. During her investigation, Lloyds made an offer of £100 for the distress and inconvenience they caused Mrs A by not identifying that the text they sent her requesting additional information had failed to send. This offer was also in acknowledgement of the incorrect wording on the closure letter they sent her. Lloyds explained that although they were unable to reinstate Mrs A's account, they would be happy to consider a new application from her.

Our investigator thought this offer was fair. She said Lloyds weren't responsible for Mrs A choosing not to open an account with an alternative provider or Mrs A not providing the type of identification document Lloyds required from her to start a new application with them.

Mrs A didn't agree. She said:

- Our investigator hadn't shown her sufficient evidence that Lloyds were entitled to make additional checks on address proof after an account had been opened and a debit card activated.
- There was no evidence that Lloyds' requirements explicitly stated that the bill should be addressed in her name only.
- Lloyds continued to communicate with her at the address on the document she provided even after they closed her account.
- Lloyds should reopen her account based on the information she had already provided to them.

Mrs A asked for her complaint to be reconsidered by an ombudsman, so it was passed to me for a 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.

To begin, I'll reiterate a point our investigator made about the role of our service. We are an informal dispute resolution service who help to restore the complainant to the position that they would be in, had any error by the financial business not occurred. We are not the regulator, that is the Financial Conduct Authority (FCA), and we don't have the power to ask Lloyds to alter their internal processes.

In respect of this complaint, all parties agree that Lloyds made an error in not informing Mrs A that the proof of address she provided, didn't satisfy their requirements. In addition, Lloyds have confirmed that the reason for closure on the closure letter they issued to Mrs A was incorrect.

So, it is left for me to decide whether Lloyds acted fairly in requesting additional proof of address from Mrs A, what the impact of any errors Lloyds made had on Mrs A, and whether Lloyds need to do anything to put things right for Mrs A.

Request for additional proof of address

Lloyds, like all UK banks and building societies, have important legal and regulatory obligations they must meet when providing accounts to customers. These obligations are ongoing, and don't only apply to the account opening process.

To comply with their obligations, Lloyds are entitled to ask for evidence about a consumer's circumstances – such as proof of income, address and identity at any time during the relationship between them and their account holders. Section M of their account terms and conditions covers off that Lloyds can close an account without notice if they have concerns about breaching their regulatory requirements.

In this case, although the terms and conditions don't explicitly state when Lloyds might ask for this information, I'm satisfied that during secondary account opening checks, they weren't happy with the proof of address held on file for the account and were entitled to ask for more information or an alternative document from Mrs A.

The proof of address provided by Mrs A

Lloyds were unhappy with the phone bill provided by Mrs A as it was addressed to her husband with her name included in the 'additional information' section. Their website requests a "utility bill (such as gas or landline phone bill) dated within the last six months" and Mrs A argued that her name appears on the bill and the address is on there too, so Lloyds should've accepted this bill as proof of address.

There are a number of reasons why a name may be added to the 'additional information' section of a utility bill, so I don't agree that this is undisputed proof that Mrs A lives at that address. Lloyds' website also confirms that they reserve the right to obtain additional identification and address verification documents if required. Lloyds said the proof of address provided by Mrs A didn't satisfy their requirements, so I think it was reasonable for them to ask for a different proof of address from Mrs A.

The impact of the account closure and Lloyds' offer of compensation

There is no dispute that Lloyds were at fault for not ensuring Mrs A was made aware of the

additional information they required and for the closure letter which reflected an incorrect reason for the closure. So, I've considered the impact Mrs A told us the account closure had on her to see if I think the offer Lloyds made to resolve the matter is fair.

Mrs A told us she was deprived of carrying out any banking transactions which affected her daily financial activities and businesses.

Having reviewed the statement for Mrs A's account during the period it was open, 3 May 2023 to 11 July 2023, I can see that only one transaction ever took place on this account. It was a lodgement on the date of opening. As such, I'm not persuaded that Mrs A's daily financial activities were greatly inconvenienced.

In addition, there was nothing stopping Mrs A from immediately reapplying to Lloyds for a new account or seeking an account with an alternative provider. So, it wouldn't be fair for me to hold Lloyds responsible for Mrs A not having an account as she didn't progress with a new application, which Lloyds said they would be happy to support on the basis of her providing a different document for proof of address.

Lloyds offered to pay £100 to Mrs A in recognition of the distress and inconvenience they caused her by not properly notifying her that she needed to provide additional documentation to them - an oversight which ultimately led to the account being closed.

In my view, this offer is fair and reasonable in the circumstances of this complaint. I say this because I think it fairly reflects the distress and inconvenience the account being closed without notice caused to Mrs A. I don't think Lloyds need to make a further award in respect of Mrs A being without banking facilities as the account was not being regularly used and Mrs A has had plenty of opportunity to either reapply to Lloyds or another financial institution to open another account.

I appreciate Mrs A will consider opening a new account as an inconvenience, but Lloyds have an obligation to ensure the information they hold for their customers is sufficient to meet their legal and regulatory obligations, and what Mrs A provided to them as proof of address was not sufficient to meet for their requirements.

Putting things right

Ultimately, I don't agree that Lloyds didn't have the right to close the account as they were unsatisfied with the identity documentation provided by Mrs A. However, they were responsible for Mrs A not receiving their text request for additional information and for not sending any follow up communication requesting this information prior to closing the account.

This caused Mrs A inconvenience as she didn't have the opportunity to provide alternative proof of address before the account was closed. In recognition of this inconvenience and the distress the matter caused Mrs A, Lloyds should make a payment of £100 to her.

In addition, Mrs A told us she never received a cheque for the closing balance on the account, so Lloyds will need to reissue this cheque if they haven't already done so.

I'm sorry to disappoint Mrs A but I won't be asking Lloyds to reopen this account, she will need to reapply and provide updated documents to them if she wishes to continue to bank with them.

My final decision

I uphold this complaint in part and direct Lloyds Bank PLC to make a payment of £100 to Mrs A. In addition, they should reissue the cheque for the closing balance on the account if they haven't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 15 July 2025.

Tara Richardson
Ombudsman