

The complaint

Mr B complains that Lloyds Bank PLC unfairly restricted and closed his account.

What happened

In March last year, following a notification that Mr B was the subject of a bankruptcy order, Lloyds restricted and closed his account after a two-month notice period. During the months prior to this, Mr B had a mental health breathing space period in place. Mr B complained that Lloyds moved forward with the account restriction and closure despite the breathing space being in effect.

After Mr B complained, Lloyds explained that its actions were in response to the bankruptcy order and said that it acted in line with the terms of Mr B's account. The bank advised Mr B that he can consider opening a basic account with Lloyds instead.

Remaining unhappy, Mr B asked this service to review his complaint. He says that Lloyds should've continued to apply breathing space as it was due to be in effect until April. Mr B thinks that by ignoring the breathing space that was in effect, Lloyds broke the law. He also feels that Lloyds failed to take his mental health into account and cites several Financial Conduct Authority (FCA) guidelines that he thinks the bank has breached. Mr B says the bank's actions caused him financial challenges, stress and worsened his mental health problems, so he wants Lloyds to pay compensation.

One of our investigators concluded that Lloyds acted fairly. Mr B disagrees that Lloyds was entitled to restrict and close his account following the bankruptcy order and says that the bank's terms do not supersede the law. He says Lloyds should've exercised flexibility given his health. Mr B added that Lloyds staff were rude and blunt in their handling of his calls with the bank.

Mr B asked for a final decision, so 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.

I empathise with Mr B as he's clearly faced challenges because of his health and because of Lloyds' actions. However, having reviewed everything, I've decided that Lloyds acted fairly - I'll explain why.

Lloyds says it received notification of Mr B's bankruptcy status in March and I can see from the relevant records that the bankruptcy order came into force in February 2024 – which is in line with what Lloyds says. Once it's made aware of a consumer's bankruptcy status, a bank is required to freeze the bankrupt's account straight away. Lloyds' terms set out that it can close an account with two months' notice. So I'm satisfied the bank acted within its obligations and terms when it restricted and closed Mr B's account.

I can see that Mr B had a mental health breathing space period in place around the time. This was due to run from February to April. Mr B thinks Lloyds acted unfairly and beyond the constraints of the law when it restricted and closed his account despite this being in effect. I appreciate that Mr B holds a firm position on this, but I don't agree.

The bankruptcy order was issued by a court. I'm aware Mr B may have taken steps to challenge the order, but the relevant records show that his bankrupt status has continued. Lloyds doesn't have the remit to act in a way that isn't in accordance with the order. This isn't to say that Lloyds' own terms are above the law. However, the order issued by a court is what has driven the bank's actions here. And as I said earlier, the bank's terms allow it to close an account in these circumstances.

There's nothing I've seen that suggests the breathing space period should've been complied with, regardless of the bankruptcy order. I understand that it would've been difficult for Mr B, but I'm satisfied that Lloyds acted fairly by giving the bankruptcy order more weight in this instance.

Mr B feels he's received a poor level of service from Lloyds because it didn't take his vulnerabilities into account, and because it failed to adhere to the FCA rules requiring the bank to treat him fairly and provide adjustments because of his circumstances. He says Lloyds staff were rude and blunt to him and failed to make him aware of support that's available. Lloyds says it was given consent to keep a record of Mr B's circumstances in March, after it had issued notice to close his account.

I've listened to the calls that took place between Mr B and Lloyds around the time and I don't find that Lloyds provided a poor level of service. The call handlers seemed to speak to Mr B professionally and I didn't hear an instance where they were rude or blunt in the way Mr B describes. I've also listened to the particular call Mr B points to. I appreciate it was a sensitive matter for Mr B to have discussed at the time and that he didn't agree with the bank's position on the matter. However, I'm satisfied the call handler explained things with professionalism and courtesy.

In March, during one of the calls, I can see there was a detailed discussion about Mr B's vulnerabilities. The call handler seems to have shown a good degree of understanding of what Mr B was going through, identifying the support he already had in place and asked about what further support he may need from the bank. The call handler also went on to signpost third-party organisations Mr B can seek further support from. Based on this, I'm satisfied Lloyds took reasonable steps to identify how it could further support him as well as ensure he was made aware of additional support he could ask for.

Mr B feels Lloyds should've made adjustments for him given his vulnerabilities and shown flexibility before restricting and closing his account. And he references various FCA rules and guidelines that I won't repeat here. The FCA outlines that it expects firms to provide consumers with a level of care that is appropriate given the individual characteristics of each consumer - adding that the level of care appropriate for vulnerable consumers may be different from that of others. But I don't agree that Lloyds has failed to provide the appropriate level of care to Mr B.

It seems Mr B expected Lloyds to have delayed or abandoned its actions following the order because of his vulnerabilities, as well as continue with the breathing space. But as I set out earlier, Lloyds' actions were initiated by the bankruptcy order, and it was required to restrict Mr B's account immediately. And even if Lloyds didn't exercise its right to close Mr B's account, it's unlikely it would've made a difference to Mr B as access to his account had been restricted because of the bankruptcy order. So I'm satisfied Lloyds has acted fairly.

To conclude, I can see that Mr B has clearly gone through a difficult time. But I'm satisfied Lloyds has acted fairly, after being notified of Mr B's bankrupt status. So I'm not directing the bank to do anything more regarding this complaint.

My final decision

For the reasons explained, I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 14 March 2025.

Abdul Ali
Ombudsman