

The complaint

Mr M complains Lloyds Bank PLC unfairly closed his account.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr M applied for a current account with Lloyds in June 2024, and as part of its account opening process, Lloyds carried out due diligence checks. Lloyds contacted Mr M on 19 June 2024 to explain that an assessment of the account highlighted some concerns and it had made the decision to close the account in two months' time. Lloyds explained it had acted based on information recorded against his name on the Credit Industry Fraud Avoidance System (CIFAS). Lloyds placed a block on the account until its closure.

Mr M raised a formal complaint about the account closure. Lloyds issued a final response letter dated 9 August 2024, explaining it would pay £50 on recognition of the service issues Mr M experienced. However, it maintained it had blocked and closed the account fairly and in line with the account terms and conditions.

Mr M remained unhappy and referred his complaint to our service. An Investigator reviewed the complaint and initially found that Lloyds had acted unfairly by blocking the account which meant it essentially closed immediately. They recommended Lloyds pay Mr M an additional £100 in compensation, but it wasn't under an obligation to tell Mr M exactly why it had closed the account.

Lloyds disagreed and made further representations about the account usage and the information it had relied on to block and then close the account. Upon review, the Investigator issued revised findings. These in summary concluded the following:

- Lloyds is entitled to close an account, but it must do so in line with the account terms.
- The account was closed with two months' notice, but it was restricted in this time, but this was fair given there were no funds in the account.
- £50 for the poor service received by Mr M was a fair resolution.

Dissatisfied with this review, Mr M asked for his complaint to be reviewed by an Ombudsman.

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.

First, this decision only relates to Mr M's complaint against Lloyds. Mr M has also complained about the bank which recorded the marker against him on the anti-fraud database CIFAS. The two complaints, about two different banks, are dealt with separately. This decision relates only to whether or not Lloyds treated Mr M fairly and reasonably.

CIFAS is a fraud prevention agency, which has a large database on which information is recorded to protect financial businesses and their customers against fraud. Mr M opened a bank account with Lloyds, and as part of its due diligence process Lloyds checked the CIFAS database. This is a standard part of the process when a new account is opened, and an important step in ensuring bank's meet their regulatory obligations.

Lloyds decided to close Mr M's account based on the information recorded on CIFAS. Lloyds provided Mr M with notice so he could make alternative arrangement. Banks can close a customer's account if they wish to, and don't have to give a reason – in the same way that customers can choose to close an account and don't have to give a reason. This is set out in the terms and conditions of Mr M's Lloyds account. I can see Lloyds has explained the closure was due to information recorded on the CIFAS database, and it directed Mr M to contact CIFAS directly if he wanted more details.

I understand Mr M would like more specific information from Lloyds about the information it had relied upon. But Lloyds isn't under any obligation to provide this. I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from regulated businesses' as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information Lloyds has provided is information we consider should be kept confidential.

I also consider that it was reasonable for Lloyds to rely on the CIFAS database when taking its decision. It didn't have to conduct its own investigation into why the other organisation had recorded the marker, or whether it was correct. And the presence of the CIFAS marker recorded against Mr M, clearly met Lloyds' terms and conditions for closing a customer's accounts.

A key part of Mr M's complaint is the poor service he says he received from Lloyds. I can see when Mr M contacted Lloyds to query the closure in branch and on the phone, matters could've been handled more effectively. Lloyds has paid Mr M £50 in recognition of this, and I think this amount fairly reflects the impact the service issues had on Mr M.

I can see the closure of the account has caused Mr M distress, and he has explained the impact Lloyds' decision has had on him. Unfortunately, an account closure will inevitably cause a level of inconvenience and the account holder will have to spend time making alternative arrangements. But this isn't something I can fairly ask Lloyds to compensate Mr M for, as its decision was made in line with its account terms. Further, although I appreciate the closure came as a surprise to Mr M, I can't see that this was his main account as it didn't have any significant transactions on it. At the time of the block the account had a negative balance. So although I understand Mr M's disappointment with the block and subsequent closure, the impact on Mr M was fairly minimal.

I am sorry to hear of the difficulties Mr M has experienced and appreciate this has been a challenging time for Mr M. However, based on the evidence I have been, Lloyds has acted reasonably and directed Mr M to the relevant organisations that can assist him.

I know this will not be the outcome Mr M was hoping for and he will be disappointed with the decision I've reached. But I hope my decision provides some clarity around why I won't be asking Lloyds to take any further action.

My final decision

My final decision is that I don't 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 12 February 2025.

Chandni Green
Ombudsman