

The complaint

A company, which I'll refer to as W, complains that Lloyds Bank PLC closed its bank account without notice which in turn caused problems for repayment of its Bounce Back Loan (BBL).

What happened

W had a business current account and a business credit card account with Lloyds.

In the autumn of 2020, W successfully applied for an £18,800 BBL from Lloyds. BBLs were designed to help businesses get finance more quickly if they were adversely affected by the coronavirus outbreak. Under a government-backed scheme, lenders could provide a loan with a six-year term for up to 25% of the customer's turnover, subject to a maximum of £50,000.

In July 2023, Lloyds sent W a formal demand for repayment of the balance on its credit card account. In August 2023, the bank blocked further use of the card and transferred the debt to its recoveries department. The bank also transferred W's business current account to its recoveries department.

There was a repayment holiday in place on W's BBL in the summer of 2023, with full repayments due to commence in September 2023. No repayments were received, and there have been none since then, so the BBL is currently in arrears.

W complained to Lloyds about the closure of its bank account and the problems with its BBL.

Lloyds didn't think it had made any errors regarding W's accounts. But W's director said that when he called the bank after the closures, he'd been told there was nothing he could do about the BBL, which was incorrect. Lloyds said it couldn't locate the call but offered £30 compensation for poor customer service.

W didn't accept Lloyds' offer and referred its complaint to us, seeking to have Lloyds re-set the BBL to how it had been before the recovery action, and to agree a repayment plan for the credit card debt. W was also seeking further compensation, particularly for financial losses suffered as a result of the closure of the current account.

W had already opened a new current account with another bank in or around December 2023, so it wasn't seeking to have the Lloyds current account re-opened.

W's director said the company's financial losses arose because having no current account meant it lost a new contract. He provided copies of emails between the prospective client and himself in the autumn of 2023. He also said that W had difficulty compiling its tax accounts as a result of the account closure, leading to a late submission penalty from HMRC.

Our investigator didn't think Lloyds had acted unfairly or unreasonably in closing the credit card account and moving the debt to its recoveries department. However, she thought Lloyds hadn't made W adequately aware that it was looking to close its bank account,

causing inconvenience which warranted an additional £250 compensation payment. But she wasn't persuaded that the bank's errors caused the arrears on the BBL or caused W to suffer other financial losses. She gave the following reasons, in summary:

- W made a lump sum payment towards the credit card balance in February 2023, but there were no further payments and interest continued to accrue. Statements showed the missed minimum monthly repayments. The investigator thought W would have been aware that the balance needed to be addressed. A formal demand for repayment was issued in July 2023 and the bank texted W's director asking him to call. In August 2023, Lloyds blocked further use of the card and moved the debt to its recoveries team. In the circumstances, the investigator didn't think Lloyds' actions were unfair or unreasonable.
- It appears that the business current account was passed to the bank's recoveries department at the same time as the credit card, but Lloyds hasn't been able to share a copy of a notice to close the current account. The investigator therefore wasn't persuaded that W was made aware that the bank was looking to close the current account and pass it to the recoveries department. She thought £250 additional compensation should be paid for inconvenience.
- Having reviewed the email evidence, the investigator wasn't persuaded that the new contract failed as a result of the bank's error. She said there was a possibility that the contract wouldn't have gone through anyway.
- The investigator wasn't convinced that Lloyds should be held responsible for the HMRC penalty. She believed W could have done more to obtain the required information for its accountant.
- At the end of July and the beginning of August 2023, Lloyds reminded W by text and letter that full repayments on the BBL would need to start in September. It also informed W that the company could apply for another repayment holiday as long as it made the application by the end of August. From September onwards, Lloyds reminded W about the arrears, but the company made no payment.
- W's director said that the closure of the current account prevented W from making payments on the BBL and undermined its ability to extend the repayment holiday. But the investigator pointed out that there had been insufficient funds in the current account to meet the repayment due in September 2023, and there's no evidence that W contacted Lloyds to request a repayment holiday. When W opened a new bank account, the company made no BBL payments. The repayments were always due under the contractual terms, and Lloyds had made sufficient contact with W to bring the arrears to its attention.

Lloyds accepted the investigator's recommendation to pay additional compensation. But W didn't agree with the investigator's conclusions and asked for the case 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.

Having done that, I've reached the same conclusions as the investigator, and for largely the same reasons.

W made no payments on its credit card account after February 2023, even to meet the required minimum monthly repayments. I'm satisfied that Lloyds kept W informed about the arrears and then issued the formal demand for repayment in July 2023. The bank tried to engage with W to discuss the situation. As no payment was made, I don't think the bank acted unfairly or unreasonably when it blocked further spending on the card and moved the account to its recoveries department. If W wishes to discuss the possibility of a repayment plan, it should contact Lloyds direct.

Lloyds hasn't shown that it gave W the correct notice that it was closing its current account. I agree that this would have inconvenienced the company, and I think the investigator's recommendation that the bank should pay £250 additional compensation is fair and reasonable.

However, I don't accept the argument put by W's director that the arrears on the BBL resulted from the closure of the current account. W knew that the repayments were due to start in September 2023 and had made no attempt to arrange a further repayment holiday. There wasn't enough in the current account to meet the September repayment. Despite reminders, W made no arrangement for a payment to be made manually from any other source. Moreover, even when W opened a current account with another bank, it made no BBL payments. Taking all the evidence into account, I don't believe that W's missed repayments on the BBL were the result of the bank account closure, and I can't reasonably say that Lloyds is responsible for the BBL arrears. If W wishes to discuss options for repayment of the BBL, then the company will need to contact Lloyds direct.

It's plausible that the closure of W's current account without notice might have caused problems for its securing further business contracts or completing its tax returns, so I've carefully considered W's director's arguments and the evidence he submitted.

W's director has shown us copies of two email exchanges, from August and October 2023, between him and the prospective client, which was an agency that engaged contract staff. The first exchange was to obtain his details and the second was to arrange a meeting. There is no indication in the emails that anything stood in the way of W taking work from the agency, and no indication that the agency pulled out of an imminent contract.

But even if the agency did reject W – and I've seen no supporting evidence that it did – there are other reasons why this might have happened. For example, W had experienced other business problems which may have been of concern to the agency – W had been (and has been since) in a cycle of strike-off proposals from Companies House resulting from late company filings, and had recently had its credit card account defaulted and cancelled. It's therefore by no means clear that W's problem with its bank account would have been the cause of the agency's rejection of W.

For these reasons, considering the evidence provided by W and all the circumstances of the complaint, I don't conclude that the bank should be held responsible for W losing a contract.

I accept that W had to pay an HMRC penalty in relation to submission of its 2021-22 accounts due in 2023. However, I can't reasonably say that this penalty was caused by Lloyds' closure of the company's current account, because I see from Companies House records that W's annual accounts were also filed late for the two previous financial years 2019-20 and 2020-21, and more recently for the following year 2023-24. I realise that there were no HMRC penalties in the previous years, but the point remains that W has routinely found it difficult to prepare its accounts on time for four years. In the circumstances, I don't believe that Lloyds should be held responsible for the late production of W's accounts in 2023.

For the above reasons, I find that Lloyds should pay £250 compensation for inconvenience in addition to its original offer, but I don't require it to take any further action or to pay any other compensation.

My final decision

My final decision is that Lloyds Bank PLC should pay W a total of £280 compensation, being the total of £30 already offered for customer service failures and a further £250 for inconvenience.

Under the rules of the Financial Ombudsman Service, I'm required to ask W to accept or reject my decision before 11 March 2025.

Colin Brown
Ombudsman