

The complaint

Mr M is unhappy that Lloyds Bank PLC has closed his accounts and hasn't reimbursed him for his loss after he says a merchant didn't deliver the goods he'd purchased.

What happened

In March 2024 Mr M raised a dispute with Lloyds for around £6,000. He said he'd purchased £6,000 worth of clothing from an online merchant and said the goods weren't received at the address provided to the merchant.

Lloyds credited Mr M's account with the disputed amount while it investigated the dispute. In April 2024, following its investigation, it made the decision that it wouldn't be reimbursing Mr M for the money he said he'd lost and it made the decision to close Mr M's accounts. It gave him 60 days' notice of its intention to do so. It debited Mr M's current account the disputed amount it had credited earlier which left the account overdrawn.

Mr M was unhappy with the bank's decision and made a complaint but Lloyds was satisfied it had acted correctly and in line with the terms and conditions of the account.

Our investigator didn't uphold the complaint. They said the account closure was fair and that Lloyds had acted reasonably in not reimbursing Mr M for his loss based on the evidence provided by the merchant. As Mr M didn't accept this the complaint has been passed to me to make a 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.

Was Lloyds acting fairly in not reimbursing Mr M for the transaction he was disputing

Mr M contacted Lloyds and told it he had a dispute with the merchant in this case he had been unable to resolve with it directly. In response I would've expected Lloyds to have considered whether it should raise a chargeback.

A chargeback is the process by which payment settlement disputes are resolved between card issuers and merchants, under the relevant card scheme rules. What this means is that Lloyds can, in some circumstances, ask for a transaction to be reversed if there's a problem with the goods or services supplied by the merchant that the consumer has paid for. But the chargeback process doesn't give the consumer legal rights and it isn't guaranteed to result in a refund.

There first must be a right to apply for a chargeback under the card scheme rules. And it's important to note that chargebacks are decided based on the card scheme's rules not the merits of the cardholder/merchant dispute. So it wasn't for Lloyds to decide whether Mr M would get his money.

I'd consider it to be good practice for Lloyds to have raised a chargeback if it had a good chance of being successful. But in this case, it didn't feel there was a good chance of success here. And having considered the information provided I think this was a reasonable conclusion.

Mr M told Lloyds the goods he'd purchased never arrived but didn't provide much more information or detail around this. Lloyds did what I would've expected and gathered further information from the merchant which provided evidence from the courier that the items were delivered to Mr M's nominated address. The tracking information provided included a photograph of the goods having been delivered inside an address and detailed tracking information relating to where it had been delivered and at what time.

We've asked Mr M for his comments on this tracking information from the courier, which he's confirmed he's seen, and he's said the tracking information shows it was delivered. He's not provided any further information or comment about how or why he believed this tracking information is inaccurate. He also hasn't provided any comment on how the packages might have entered his nominated delivery address but not reached him.

We've also asked Mr M for the correspondence between him and the retailer and the original purchase invoice which he's said he no longer has. And this seems odd given it appears to have been an online purchase where it seems likely the invoice and other correspondence would've been digitally stored. Mr M hasn't provided any further information about why this information is no longer available.

Taking all of the evidence and information into account, alongside all the other information our service has received from Lloyds in confidence, I'm satisfied Lloyds has acted fairly and reasonably in not reimbursing Mr M for the loss he said he's suffered. I say this because based on the evidence available it appears the goods were correctly delivered to Mr M's nominated address and he's not provided any plausible or persuasive story as to why they haven't been received by him.

Was Lloyds acting reasonably in closing Mr M's account

UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. This applies to both new and existing relationships. These obligations override all other obligations.

Lloyds has provided this service with information about why it decided to block and review Mr M's account. Our rules allow us to receive evidence in confidence. We may treat evidence from banks and financial businesses as confidential for a number of reasons – for example, if it contains security or commercially sensitive information. Some of the evidence Lloyds has provided is information that we consider should be kept confidential. This means I haven't been able to share a lot of detail with Mr M, but I'd like to reassure him that I have considered everything carefully.

In considering whether the closure of the account was fair, I've taken into account that Lloyds is entitled to set its own policies and part of that will form their risk criteria. It is not in my remit to say what policies or risk appetite Lloyds should have in place. I can however, while considering the circumstances of individual complaints, decide whether I think customers have been treated fairly.

After considering all the available evidence and information, I haven't seen evidence to show Lloyds closed Mr M's account for an improper reason. So, although I appreciate the account closing will have inconvenienced Mr M, there's nothing that I've seen that suggests it amounted to anything other than a legitimate exercise of its discretion.

Lloyds has said it closed Mr M's account with 60 days' notice, but it's also confirmed it restricted his account throughout the notice period, effectively closing the account immediately. However, having considered all the information available here, including evidence I've received in confidence from Lloyds, and the terms and conditions of the account which do allow immediate closure in certain circumstances, I don't think its actions were unreasonable here.

Overall, I'm satisfied Lloyds has acted fairly and reasonably in not reimbursing Mr M for his loss and in closing the account.

My final decision

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 1 May 2025.

Faye Brownhill
Ombudsman