

The complaint

R, a small business, complains that Lloyds Bank Plc abruptly closed their accounts, which led to them incurring costs. They'd like the bank to reimburse them for these costs.

R is represented by a director, Mr H.

What happened

R held several accounts with Lloyds. In February 2023 the bank asked for information on R's business as part of their Know Your Customer (KYC) checks, which Mr H provided. Lloyds say in April 2023 they wrote to R again to ask for further information, although Mr H say he didn't receive anything.

In July 2023 Mr H called Lloyds to complain that two cheques had bounced. In this call he discovered that Lloyds had sent a letter saying they intended to close R's accounts at the end of the month. The bank said they had sent a letter in May 2023 explaining this. But Mr H left the conversation with the impression the bank would review if this closure notice was valid. Mr H didn't hear any more from Lloyds. But R's accounts were closed at the end of July 2023. The balances were issued in separate cheques. Mr H attempted to raise a data subject access request (DSAR) with Lloyds but didn't receive a response.

Unhappy with what had happened with the account Mr H raised a complaint on behalf of R. Lloyds responded to accept they had made an error in not copying across the signature mandate for all of R's account, leading the cheques to bounce. But they explained they had attempted to request information from R about their business since early 2023. When they had received no response, they issued their notice to close, giving R the required notice set out in the terms of the account.

Mr H wasn't satisfied with this response and referred R's complaint to our service. One of our investigators concluded that the complaint should succeed in part. They felt that Lloyds were within their rights to block, and subsequently close R's accounts, and that the correct notice had been given. They couldn't review the phone call, but felt it was likely Mr H had been left with the impression that he would be contacted again about the closure, but also felt he ought to have been aware of the closure.

They felt that for those failures, and for the error with the cheques, Lloyds should pay R £200 compensation. But they didn't think the bank needed to do anything further.

This was accepted by Lloyds. But Mr H disagreed, saying that Lloyds had been misleading about requesting further information in April 2023, and the contents of the call when he found out about the closure. He also said that the notice to close only mentioned one subsidiary account, and not all of his accounts. As no agreement could be reached 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 note that Mr H had requested further time to send in information – although the extended deadline has now passed, and we've not heard anything further from him. Having reviewed the file, I'm satisfied that I have enough information to reach a reasonable outcome.

I also note that Mr H has raised the issue of not receiving information from a DSAR. A DSAR is to access personal data held by a data controlling organisation – in this case Mr H. But the complainant here is R, the limited company, which doesn't have the same rights to data held. As a limited company is a legally distinct entity from Mr H personally, I can't consider a complaint about the DSAR request, or consider its impact on R.

Instead, what I've considered is whether Lloyds have treated R fairly and reasonably in the way they handled their accounts, including the subsequent closures. Lloyds have a broad commercial discretion in who they provide accounts to, and on what terms. Our service would look ensure any review or closure decision was made in line with the terms of the account.

Lloyds' terms say they can close an account for any reason, so long as they provide at least two months' written notice. I've seen the notice to close dated 24 May 2023 which says R's accounts will be closed in two months' time. I appreciate that Mr H has said he didn't receive this notice – but it is addressed correctly, and I'm satisfied that it was sent to R. And since the majority of correctly addressed post is delivered successfully, I think it's more likely than not it was received. I've considered what Mr H has said about the letter only referring to one subsidiary account. But the notice refers to "*account(s)*". A reasonable reading of this notice was that all R's accounts were to be closed. And in any event, he has said he wasn't aware of this letter at the time. But I'm satisfied that Lloyds provided the notice required under their terms.

Mr H has said the first he became aware of the closure was on a phone call with Lloyds on 14 July 2023. The bank's position is that in that call Mr H was left in no doubt that his accounts were to be closed. Mr H disputes this, saying that he was given differing reasons for the closure. He says that he was told this would be clarified with the team, but the person speaking to him came back speaking about another issue.

Lloyds have confirmed to our service that a copy of this call isn't available. So, I haven't been able to listen to it myself. I appreciate Lloyds have provided notes from a complaint handler who subsequently listened to the call, but I'm minded that Mr H's recollection is likely accurate. He's been consistent in what he's said was discussed, and that he was left with the impression the closure was under review. I agree that agreeing to send a new chequebook certainly makes the closure decision unclear.

However, I'm satisfied the closure decision had already been made at this point. I don't see that Lloyds were unreasonable in closing the account on the date outlined in the closure notice. But from what Mr H has told us, Lloyds should have been much clearer on this point on the phone call, or at the least followed up to explain that the closure would be taking place. I've seen nothing to suggest they did or provide him with another copy of the closure notice. And the notice is the primary document that was clear the accounts would close. Mr H could also have mitigated the impact by taking steps to arrange banking elsewhere, since by this point he ought reasonably to have been aware this was a possibility. There's always likely to be a degree of disruption when a banking relationship ends, but I'm satisfied that Lloyds could have reasonably done more to reduce any disruption to R.

There's no specific obligation on Lloyds to explain why they've decided to close an account. And quite often there is no singular reason – it can be a confluence of various reasons. In

their response to R's complaint Lloyds have explained that they were looking to gain a better understanding of the business and hadn't received information they asked for from R. Mr H has disputed this, saying he didn't receive any further questions about his business after discussing it in January 2023.

I've not seen what KYC information was required in April 2023. But overall, I'm not satisfied that this makes a significant difference to Lloyds' closure decision – as mentioned they can close an account for any reason by providing the required notice. I'm satisfied they did so, and that this was a legitimate commercial decision that they are entitled to make. I'm not persuaded that the closure decision was unreasonable.

Once the account closed Lloyds issued the balances as cheques, which I'm satisfied is reasonable. I've not seen anything to suggest Lloyds held on to the funds for an unreasonable amount of time or caused any significant delays to R receiving their funds.

Lloyds have also accepted that they made an error in not honouring the cheques R sent – and this was down to a mistake on their part in not transferring the existing signature mandate across to new accounts. I see that this will have caused disruption to R's business to have to resolve, and it would be appropriate for compensation to be paid to reflect this.

Overall, while I'm satisfied that Lloyds were reasonable in closing R's account in line with the terms, I see that the bank's communication and service around this could have been clearer and proactive. So, for this and the issue with cheques returning unpaid I see that Lloyds ought to reasonably pay some compensation.

Mr H has said he feels Lloyds have been deliberately misleading. But although some of their evidence isn't available, I'm not persuaded this is the case. In any event, I'm minded that his recollection of events is largely accurate. I'm conscious he will likely be disappointed, but I'm satisfied that £200 is an appropriate amount of compensation for the disruption and inconvenience caused to R.

My final decision

My final decision is that Lloyds Bank Plc must pay R £200 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 21 February 2025.

Thom Bennett
Ombudsman