

The complaint

S, a limited company, complains that Lloyds Bank PLC didn't treat it fairly after it closed a business bank account.

What happened

S had a business account with Lloyds. In June 2022, Lloyds decided to close the account. At the same time, Lloyds suspended S's credit card. S says it contacted Lloyds to discuss repayment of the outstanding overdraft and credit card balance. But it says Lloyds told it to wait until the account was passed to its recoveries department. S says it then received conflicting information from Lloyds about what was happening – it says it received letters demanding it repay the debt in full, while other letters claimed it didn't owe anything. S says sorting this all out has been stressful and taken a long time. S suggests that Lloyds should waive the outstanding balance on its overdraft and credit cards. This adds to £21,335.93.

Lloyds looked at this and agreed its service had fallen short – it offered to pay S £75 to reflect the inconvenience this all caused. S thinks it should get more. Our investigator looked at everything and thought Lloyds should pay S an additional £200, or £275 in total. She also recommended that Lloyds refund any interest and charges applied to the current account during the period after the account closed, and contact S to agree a repayment plan.

S doesn't think this reflects the impact Lloyds's actions had on its business.

The complaint has been referred 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.

Where I decide, or a business agrees, that a complaint should be upheld, the redress I'd award is intended to put the complainant as far as possible in the position they'd be in if things had happened as they should have done. Any award I make for the inconvenience experienced by the S isn't intended to punish the business but to reflect the impact of the business's actions on S.

I accept that Lloyds could have handled things better. It appears S contacted Lloyds on a number of occasions to discuss the debt and was left with the impression that it couldn't agree a repayment plan until the debt had been passed to Lloyds's recoveries department. Although the account closed in August 2022, the debt wasn't passed to recoveries until August 2023. And so S's account still has a considerable balance outstanding.

Lloyds accepts there were mixed messages about the status of the debt. And although the debt has been passed to recoveries, it has not yet contacted S about a repayment because of this open complaint.

I therefore need to consider what's fair compensation for this in the circumstances of S's complaint.

I've carefully considered what S has said about that. S says all this has been very stressful to its directors. It also reckons its staff has spent in the region of 200 hours trying to sort all this out. It proposes that Lloyds waive the entire outstanding balance of its business account and overdraft. This adds to £21,335.93.

I'm not persuaded it would be fair to tell Lloyds to waive the outstanding balances. These were amounts S borrowed, and S has had the benefit of these funds, so it seems only fair that S should pay these amounts back. I note that Lloyds's actions have meant that S hasn't needed to repay these debts – and although Lloyds did charge some interest and charges after the account closed it has now agreed to refund these. In view of the difficulties S subsequently had repaying this debt, I think that is fair. But based on what I've seen, I'm not persuaded S was otherwise directly out of pocket because of what Lloyds did.

I cannot award compensation for any distress experienced by the directors of S personally – in this decision I can only consider the impact Lloyds's actions had on S.

Finally, I turn to S's comments about the time it spent trying to sort things out. S says its staff spent around 200 hours trying to gather evidence, sending letters and waiting on hold to talk to the business.

We've asked S for further evidence of the time it spent on the phone this which it hasn't provided.

I accept S may have had to spend some time sorting things out with Lloyds. I'm not persuaded it would have taken 200 hours. Based on what I've seen, it appears S didn't have funds to repay the debt at the point the account closed, and only contacted Lloyds to arrange a repayment a number of months later. The time S says it spent dealing with things isn't reflected by the contact notes supplied by Lloyds. I further note that Lloyds offered to escalate both the closure and the difficulties S had repaying the debt through its complaints process – but S wasn't initially interested in doing so. It seems that had S raised a complaint sooner, much of the impact it has described could have been avoided. What I've seen doesn't persuade me that S wasn't able to carry out its usual work. And S doesn't appear to have otherwise had problems arranging banking elsewhere.

Having considered everything I accept this complaint should be upheld. But having carefully considered the points raised by S, I'm not persuaded to award more than already recommended by the investigator.

Putting things right

Lloyds Bank PLC should:

- Pay S £200, in addition to the £75 it has already paid, to reflect the inconvenience this caused.
- Refund any interest and charges applied to the current account after the account closed,
- Lloyds should contact S and discuss arrangements to repay the outstanding debt.

My final decision

I uphold the complaint. Lloyds Bank PLC should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 7 March 2025.

Rebecca Hardman
Ombudsman