

## **The complaint**

Ms T complains Lloyds Bank PLC unfairly closed her account and withheld funds.

## **What happened**

Ms T held a Lloyds basic account, and on 19 August 2024 Lloyds restricted the account. This decision was made following a payment Ms T received of £3,600.

Lloyds made the decision to close Ms T's account and provided her with two months' notice so she could make alternative arrangements. During this time Ms T's account remained blocked, and she was only able to access wages and benefits. The funds within Ms T's account were withheld whilst Lloyds continued its review.

Ms T raised concerns with Lloyds regarding the account closure and its decision to withhold her funds. In its final response letter dated 2 September 2024 Lloyds explained that it had acted in line with the account terms and conditions, and it wasn't obliged to give Ms T specific reasons for its decision. It explained that as funds had been paid into the account during the closure process, and it needed to investigate further before these could be released to Ms T.

Ms T remained unhappy with Lloyds' response and referred the complaint to our service. An Investigator reviewed their concerns and in summary, made the following findings:

- Lloyds' regulatory obligations mean it is entitled to carry out reviews of customer accounts.
- The block of Ms T's account was fair and in line with the account terms and conditions.
- Lloyds doesn't need to provide Ms T with a reason for the closure.
- Lloyds' decision to withhold the funds in Ms T's account until it completed its review and met its regulatory duties was fair.
- There hasn't been any undue delay in Lloyds' review and handling of Ms T's account.

Ms T disagreed with the Investigator's findings, explaining the following key points:

- The account freeze was unfair, malicious and discriminatory.
- The funds were withheld without good cause and Ms T was left in the dark with no clear information.
- There was no gross misconduct by Ms T and the funds weren't linked to illegal activity as they have now been returned.
- Lloyds should pay compensation for the poor service provided and the delays they caused in returning Ms T's funds. This includes the costs Ms T incurred in travelling back to the U.K.

As no agreement could be reached, the case has been referred to me – an ombudsman – for a final decision.

Whilst the complaint was awaiting a review, Lloyds was prompted by our service to review the timeline of events again. Based on this review, Lloyds accepted that it could've released Ms T's funds to her sooner than it did. As a result, it offered to pay Ms T 8% on the funds from 3 September 2024 to 10 March 2025. Ms T didn't consider this to be an acceptable offer and felt it didn't reflect the impact Lloyds' actions had on her. Ms T reiterated her request for an ombudsman's review.

### **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.

Firstly, I am sorry to see Ms T has had cause for complaint. I can see from her submissions that she has experienced significant health and personal issues, and she has my sympathy for what must be a very challenging time. I'd like to reassure Ms T that I've considered the whole file and what she's said. But I'll concentrate my comments on what I think is relevant. If I don't mention any specific point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. No discourtesy is intended by me in taking this approach. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts.

As a UK financial business, Lloyds is strictly regulated and must take certain actions in order to meet its legal and regulatory obligations. It's also required to carry out ongoing monitoring of an existing business relationship. This includes establishing the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. That sometimes means Lloyds needs to restrict, or in some cases go as far as closing, customers' accounts. In Ms T's case the incoming payment she received on 19 August 2024 triggered a review of Ms T's account.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks 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 that we considered should be kept confidential. This means I haven't been able to share a lot of detail with Ms T, but I'd like to reassure her that I have considered everything she and Lloyds have said before reaching my decision.

As Ms T is aware, Lloyds carried out a review of her account based on information it held regarding the incoming payment. Looking at the actions it took I'm satisfied Lloyds acted in line with its legal duties and account terms in reviewing the account in the manner it did at this point. Ms T says the incoming payment was from a friend – and I can see Ms T attended branch with this friend when she wanted to access her account. However, given the information Lloyds had regarding the incoming payment I think it was reasonable for it to complete its enquiries with the sending bank before unblocking the account or releasing funds to Ms T.

Lloyds' review of Ms T's account led to its ultimate decision to close the account. Lloyds is entitled to set their 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. As long as they reach their decisions fairly, it doesn't breach law or regulations and is in keeping with the terms and conditions of the account, then this service won't usually intervene. They shouldn't decline to continue to provide banking services without proper reason, for instance of unfair bias or unlawful discrimination. And they must

treat new and existing customers fairly. Given its regulatory and legal obligations, I'm satisfied Lloyds' decision was made fairly.

The terms and conditions of Ms T's account set out that the bank can close the account by providing 60 days' notice. In certain circumstances, it can also close the account immediately. Ms T was given 60 days' notice, but as the account was blocked, I consider this akin to immediate closure. For Lloyds to act fairly here they needed to meet the criteria to apply their terms for immediate closure – and having looked at these terms and all the evidence that the bank has provided, I'm satisfied that Lloyds did.

The immediate closure of an account can have a serious impact on a customer and isn't a decision that can be taken lightly. In Ms T's case I can see the account block and closure caused her a significant amount of upset and inconvenience, especially in light of her health and personal circumstances. Ms T says she needed access to the account and funds in August 2024 as she had to have an emergency operation. The lack of access meant she had to find alternative means of paying for this. Ms T says the bank knew about her vulnerable position and didn't take steps to support her.

Ms T has my sympathy for what was clearly a difficult time for her. I've thought carefully about her comments, and although I can see the impact of the block and closure was significant, I don't think Lloyds acted unfairly in blocking and then closing the account. It's regulatory and legal obligations override all other obligations. I would expect Lloyds to support Ms T in light of her vulnerabilities – and I can see that once she highlighted these to Lloyds they were recorded on its systems. But ultimately, I don't find that these factors would've changed its handling of the account itself.

However, as the Investigator highlighted the time Lloyds took to release the funds to Ms T was longer than it ought to have been. Lloyds has said they should've been released by 3 September 2024 and based on the timeline of events I agree. By this point Lloyds had completed its review and had the necessary information to release the account balance. Lloyds has offered to pay 8% simple interest on the balance from this date to the date Ms T received the funds. I consider this offer from Lloyds to be fair and in keeping with our approach to complaints where a consumer has been deprived of access to funds, as Ms T was.

I understand Ms T thinks the offer from Lloyds is unacceptable. Reaching an award for distress and inconvenience is seldom straightforward. The issues involved are subjective by their very nature and the impact on the consumer can be difficult to determine. Our awards are not intended to be punitive for businesses and their fundamental aim is to recognise the impact on a consumer where there have been shortcomings. In Ms T's case I recognise his health issues meant the issues with Lloyds were particularly distressing. But I am also mindful that Lloyds was carrying out the account review for legitimate reasons. In light of this and after considering our guidance for compensation awards, I consider the interest offered by Lloyds to be fair offer, and I don't consider an increase to be appropriate.

Ms T says her treatment by Lloyds is discriminatory – she feels Lloyds failed to make reasonable adjustments and support her in the appropriate way. Ms T says her health and disability should've been factored in when Lloyds blocked and reviewed her account. I am sorry to hear Ms T feels this way. While we take any allegation of discrimination seriously, we are an informal dispute resolution service, meaning we don't have the power to decide whether or not Lloyds is in breach of the Equality Act 2010, as only a court has the power to do this. What we can do is take relevant law and regulation into account when deciding what's fair and reasonable in the circumstances of a complaint.

Taking the above points into account, I have assessed Ms T's complaint based on what I consider fair and reasonable given its specific circumstances. Having done so I can't see that Lloyds has treated Ms T differently due to her health. I've also considered Lloyds' decision to close Ms T's accounts in light of Ms T's comments about discrimination. Lloyds has provided clear rationale and legitimate reasons for its decision to close Mr A's accounts. I can assure Ms T I haven't seen anything to suggest its actions were linked to Ms T's circumstances, and in particular, her disability.

I know this will not be the outcome Ms T was hoping for, and she 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 further compensate Ms T than outlined below.

### **Putting things right**

Lloyds Bank PLC should pay Ms T 8% simple interest on the funds held within her account from 3 September 2024 to 10 March 2025.

\* If Lloyds Bank PLC considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Ms T much it's taken off. It should also give Ms T a tax deduction certificate if she asks for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

### **My final decision**

My final decision is that I uphold this complaint in part.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms T to accept or reject my decision before 13 August 2025.

Chandni Green  
**Ombudsman**