

The complaint

A company that I will refer to as J, complains that Lloyds Bank PLC blocked and closed its account. J is also unhappy with the service it received from Lloyds.

Mr S, a director, brings the complaint on behalf of J.

What happened

The detailed background to this complaint is well known to both parties. As such, I'll provide only an overview of the most essential facts here.

J had a business account with Lloyds.

On 24 July 2024, Lloyds wrote to Mr S to let him know it was reviewing J's account. Lloyds said it wanted information about J and sent Mr S an Enhanced Due Diligence (EDD) questionnaire to complete and return. Lloyds asked Mr S to provide the information by 27 September 2024. And warned Mr S that if he didn't provide the information it would block J's account and wouldn't be able to continue to offer J banking services.

Mr S didn't respond, so on 3 September 2024, Lloyds sent Mr S a chaser SMS to complete the questionnaire and asked Mr S to get in touch.

Mr S didn't get in touch so on 27 September 2024, Lloyds blocked J's account. Following this on 4 October 2024, Lloyds took the decision to close J's account. Lloyds closed J's account on 8 October 2024.

Mr S discovered J's account had been closed when his bank card stopped working and direct debits were cancelled.

Mr S returned the completed questionnaire to Lloyds on 8 October 2024. And contacted the bank to let them know the information was on its way. But Lloyds had already closed J's account.

Mr S complained to Lloyds. He said Lloyds had treated J unfairly when it blocked and closed its account and that this caused J financial problems. Mr S said he couldn't pay salaries, and costs associated with his business. He also said J's reputation was damaged as result of direct debits being unpaid. He said he had received Lloyds' letter late and the bank should have contacted him or J's other account holder to check the letter had been received. In response, Lloyds said it had been complying with its legal and regulatory obligations when it asked Mr S to complete the EDD questionnaire. And that it hadn't the questionnaire from Mr S, so it was unable to complete EDD. Lloyds said it had closed J's account in line with the terms and conditions.

Mr S remained unhappy and brought J's complaint to our service. He said he wants £100,000 compensation for the inconvenience and damage to J's reputation caused by

Lloyds blocking and closing J's account. He maintained Lloyds should have checked he'd received the questionnaire.

One of our investigators looked into what had happened. She didn't think Lloyds had done anything wrong. Mr S disagreed. In summary he said:

- He received Lloyds' letter late, so he had less time to provide the information.
- On receipt of the SMS Mr S contacted Lloyds and told them he was in the process of preparing the information to send back to them. Despite this, Lloyds went ahead and closed J's account in October 2024.
- There was no attempt to contact the second account holder. For argument purpose "What if he was travelling & had no access to postal mail & SMS", had Lloyds taken such a situation into consideration?
- The agreed mode of communication is email. Right from opening of the account, to bank statements. But not a single email was sent.
- The information that Lloyds requested was due to transactions that took place in 2021 and 2022. But Lloyds requested information in 2024 which he considers not crucial to close the account. And at such short notice without acknowledgement of receipt of their communication. This is not acceptable.

As no agreement could be reached the matter came 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've decided to not uphold this complaint. I'll explain why:

- Lloyds has extensive legal and regulatory responsibilities they must meet when providing account services to its customers. They can broadly be summarised as a responsibility to protect people from financial harm, and to prevent and detect financial crime.
- The reason why Lloyds asked Mr S to provide information is because Lloyds are obliged to adhere to the regulator – the Financial Conduct Authority (FCA), Know Your Customer (KYC) responsibilities. Lloyds is entitled and obliged to conduct such checks in order to comply with its legal and regulatory obligations. This applies to both new and existing customers regardless of how many years a customer may have held an account with Lloyds.
- The information Lloyds was asking Mr S to provide is fairly standard information that banks, and other financial businesses are required to have in order to adhere to KYC responsibilities. It's not in my remit to determine what questions Lloyds should ask its customers to ensure it adheres to its these responsibilities. There's no fixed set of questions or period between each customer update request, and they are usually done to reflect the changes in the economy, technology or tactics employed by criminals to commit financial crime. So, I can't reasonably say that Lloyds was acting unfairly or unreasonably in asking Mr S for the information that it did.
- Lloyds has provided evidence to show that it had written to Mr S in July 2024 to ask him to complete their EDD questionnaire and send it back to them. I can also see that Lloyds told Mr S why it wanted the information. And it explained the

consequences, which was that J's account could be suspended and closed.

- When it became clear that Mr S hadn't sent back the questionnaire Lloyds sent Mr S an SMS to prompt him to get in touch on 3 September 2024. Mr S said he called Lloyds to let them know he was trying to pull together information together – however he didn't return the questionnaire by 27 September 2024. So, Lloyds blocked J's account. And subsequently closed J's account on 4 October 2024.
- Mr S sent the completed questionnaire back to Lloyds on 8 October 2024, after Lloyds had closed J's account. Mr S accepts he received the letter Lloyds sent to him dated 24 July 2024. But he says he received it late. However, I can't hold Lloyds responsible for any delay that may have been caused by the postal system. I've also kept in mind that Lloyds gave Mr S just over two months to return the questionnaire and sent Mr S an SMS chasing the information three weeks before the end date Lloyds gave him. So, overall, I think Mr S had enough time to sort things out and could have prevented the account from being closed.
- Mr S has said that this was unfair and caused J financial problems due to not being able to access the account. He's said that Lloyds should have checked he'd received the letter and chased things up via email as that is how he receives J's bank statements.
- I appreciate that this would have been inconvenient. But I can't say that Lloyds was being unreasonable by freezing and closing J's account. I say this because firstly, Lloyds had reasonable grounds in which to ask for the information that it had requested from Mr S – to comply with its legal and regulatory obligations. To unfreeze and prevent the account from being closed, I'm satisfied that Lloyds made it clear that Mr S needed to provide the requested information. As Lloyds could not meet its EDD requirements, because Mr S failed to send the information it needed on time, I can't say that it was unreasonable that it froze and then closed J's account. So, although Mr S no doubt experienced inconvenience, I can't say that Lloyds did anything wrong. And so, I don't think it would be appropriate to award J any compensation.
- I acknowledge Mr A's comments around how he believes Lloyds should communicate with its customers – particularly in the use of digital communications and Mr S's preference to use email. But it's important to explain that it's not the role of this service to supervise, regulate or impose fines on any business. It's also not our role to ask a business to alter its procedures or enforce changes to policies. That's the role of the regulator, The Financial Conduct Authority.
- Lloyds is allowed to make commercial decisions about how it meets its relevant obligations, so I can't reasonably question how it undertakes its reviews or challenge the information it says it needs to meet its legal and regulatory obligations. My remit here is to decide whether I think Lloyds acted fairly and reasonably when applying those policies and procedures in the individual circumstances of J's complaint. And that's what I've done. However, I note that Lloyds has acknowledged Mr S's suggestions and said that it will review how it communicates in the future. I hope this gives Mr S some level of comfort that Lloyds has taken on board his comments.

In summary, as I've said above Lloyds are obliged under regulation to carry out ongoing EDD checks to protect accounts from identify theft, fraud, and financial crime. So, if they don't receive the necessary information that they request to allay those risks, I do not consider suspending and closing J's account is a disproportionate measure for Lloyds to take.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask J to accept or reject my decision before 2 October 2025.

Sharon Kerrison
Ombudsman