

The complaint

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

Mr A, a director, brings the complaint on behalf of L.

What happened

L had a business account with Lloyds.

Mr A also had other personal accounts with the Lloyds banking group, with a bank I will refer to as H.

I am aware that Mr A has made a complaint about the closure of the accounts he had with H, but this decision is focused on Mr A's complaint about L's business account. However, for relevance I have included some details in this decision.

In January 2024, H received a report that funds had been paid into Mr A's account due to an alleged car scam. It notified Mr A of this and said the account could remain open, but if there were any further reports of fraud, it could be closed. In April 2024 H was contacted by someone who said they had paid money to Mr A for a car and hadn't received the car. H blocked Mr A's account so that it could investigate the possible fraud.

After being made aware of the fraud report Lloyds decided to review L's account to comply with its legal and regulatory obligations. Whilst it completed its review Lloyds blocked L's account.

Mr A told Lloyds that as part of his business buying and selling cars, he had sold a car to a customer. That customer subsequently alleged that the car had been damaged by Mr A and/or that they hadn't received the car, which he denied. Mr A offered to return the money if the customer withdrew their allegation.

Mr A provided evidence of text messages between him and the customer and a handwritten note of sale. Ultimately H wasn't satisfied with the evidence Mr A had provided, and it decided to close the account.

Lloyds completed its review and decided to close L's account. It gave Mr A two months' notice, although maintained the block until the account was closed in June 2024.

Mr A complained he said Lloyds had acted unfairly and said he produced sufficient evidence to justify his position regarding the sale of the car. Mr A said Lloyds also told him about the problem with his personal account wouldn't impact his business account. So, he was shocked to discover Lloyds didn't want L as a customer. He also said that it had caused him a lot of financial problems as he had had a lot of difficulty in maintaining other bank accounts.

In response, Lloyds said it had blocked and closed L's account in line with the terms and conditions. It couldn't find any evidence of Mr A being told L's account wouldn't be impacted by the closure of his personal account. However, Lloyds accepted it could have provided more clarity when Mr A called them. It said the advisor Mr A had spoken to had acted surprised that L's account had been closed, which could have caused Mr A to misunderstand what was happening with L's account. To put things right Lloyds paid Mr A £40 compensation.

Mr A remained unhappy. He said he believes Lloyds has discriminated against him. One of our Investigator was satisfied Lloyds' decision to close L's account was reached legitimately and they didn't think it had acted unfairly. The investigator also said Lloyds had done enough to put things right.

Mr A didn't agree. So, the matter has been passed to me for an Ombudsman's consideration.

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 should advise Mr A that I am concerned here only with the complaint he has brought on L's behalf. I can't consider what happened with any other account either or with any other financial institution.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from financial businesses as confidential for a number of reasons – for example, if it contains information about other customers, security information or commercially sensitive information. It's then for me to decide whether it's fair to rely on evidence that only one party has seen. It's not a one-sided rule; either party to a complaint can submit evidence in confidence if they wish to, and we'll then decide if it's fair to rely on it. Here, the information is sensitive and on balance I don't believe it should be disclosed. But it's also clearly material to the issue of whether Lloyds has treated L fairly. So, I'm persuaded I should take it into account when deciding the outcome of the complaint.

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focused on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. But I have read all Mr A's submissions.

Further, Mr A is concerned that we have accepted information from Lloyds in confidence. Our rules allow us to do this where appropriate. I can say however that our Investigator has fully set out the reasons for Lloyds closing the account.

I acknowledge Mr A's comments that he isn't a fraudster. But I should emphasise that I can't make a finding concerning whether or not there was fraud in respect of the car sale.

I'll deal first with Lloyds's decision to review L's account. As the investigator has already explained, Lloyds has a wide variety of legal and regulatory obligations it must follow when providing accounts to its customers. These obligations are ongoing and are not only relevant when an account is opened. This sometimes leads accounts being closed, and funds in

accounts being withheld from account holders. The terms and conditions of L's account also make provision for this.

I've considered whether Lloyds acted fairly when it closed L's account. It's generally for banks and financial businesses to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a very good reason to do so, this service won't usually say that a bank or financial business must keep customer or require it to compensate a customer who has had their account closed.

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 account services without proper reason, for instance of unfair bias or unlawful discrimination. And they must treat new and existing customers fairly.

Lloyds have relied on the terms and conditions when closing L's account. I've reviewed the terms, and they explain that Lloyds can close an account for any reason by giving two months' notice. In certain circumstances, Lloyds can also close an account without notice, which is what has happened here.

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, including the information Lloyds has provided to this service in confidence, I'm satisfied that Lloyds did. And that it was entitled to close L's account as it's already done. So, it would not be appropriate for me to ask Lloyds to pay L compensation since I don't find Lloyds acted inappropriately when it closed its account. And I won't be asking Lloyds to reopen L's account.

I understand of course why Mr A wants to know the exact reasons behind Lloyds's decision to close L's account, other than what he's been previously been told. And I can see that Mr A has asked Lloyds to explain itself on several occasions. But Lloyds doesn't disclose to its customers what triggers a review of their accounts. And it's under no obligation to tell Mr A the reasons behind the account closure, as much as he'd like to know. So, I can't say it's done anything wrong by not giving Mr A this information. And it wouldn't be appropriate for me to require it to do so.

Mr A has said that when he contacted Lloyds he was told that L's account wouldn't be closed. Lloyds accepts it should have been clearer when it spoke to Mr A about its decision to close L's account. It said the advisor who spoke to Mr A acted surprised that L's account had been closed, which it says could have caused the misunderstanding. To put things right Lloyds has paid Mr A £40.

I haven't seen any evidence that Lloyds told Mr A it had made a mistake when it had closed L's account. I also haven't seen any evidence that Lloyds explicitly told Mr A that L's account wouldn't be closed. I think it's more likely than not that it was the advisor's reaction rather than anything that was said that led Mr A to believe L's account wouldn't be affected by the fraud report. Lloyds has paid Mr A £40 compensation. Having considered all the evidence, I think this is fair. So, I won't be asking Lloyds to do anything more to resolve L's complaint.

Lastly Mr A complains about discrimination. I've seen no evidence that L's account was closed for anything other than a legitimate reason.

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 L to accept or reject my decision before 1 October 2025.

Sharon Kerrison
Ombudsman