

The complaint

Mr I complains Lloyds Bank PLC unfairly closed his accounts and wrongly loaded a Credit Industry Fraud Avoidance System ('CIFAS'- the UK's fraud alert service) marker against his name.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mr I held accounts with Lloyds. On 23 August 2024 restrictions were placed on Mr I's accounts whilst Lloyds carried out a review. Lloyds informed Mr I that it had decided to end its banking relationship with Mr I, and he had two months to make alternative arrangements. Mr I's accounts closed on 10 December 2024, with the outstanding balances returned to him.

During this time Mr I raised concerns about the handling of his accounts and noted that Lloyds had loaded a marker against his name. Lloyds reviewed Mr I's concerns and in its final response letter it explained it was maintaining its decision to close Mr I's accounts, explaining it reserves the right to close accounts and doesn't have to provide details of its reasons. Lloyds accepted that loading a marker against Mr I's name was unfair, and the type of marker it loaded shouldn't have been applied against Mr I. It confirmed this had been removed and apologised for the impact the marker had on Mr I. Lloyds offered Mr I £1,100 in recognition of the impact its error had on him.

Mr I also held a loan with Lloyds and attempted to make a repayment towards this when his accounts closed. Mr I made pro-active contact with Lloyds about making payments for this loan. Lloyds failed to correctly process a payment which resulted in adverse credit reference details being recorded against Mr I. Lloyds removed this, and offered Mr I £100 for the impact of its error.

Mr I remained unhappy with the handling of his accounts and explained the impact of Lloyds' actions was severe given his career is in financial services. Mr I said he missed out on a job offer due to the incorrect application of the CIFAS marker and his accounts with other financial institutions were also closed down.

An Investigator gathered the relevant evidence and in summary, made the following findings:

- Lloyds' decision to block and then close Mr I's accounts was appropriate and in keeping with the account terms and conditions.
- Lloyds did not load a CIFAS marker, but a different type of fraud marker was loaded against Mr I.
- The application of the marker was wrong and did have an impact on Mr I. However, the compensation offered is fair and doesn't need to be increased.
- The handling of the loan repayments was also poor by Lloyds, but its removal of the negative credit entry against Mr I and £100 compensation is fair.

Mr I didn't accept the Investigator's findings and maintained he had been treated unfairly. As no agreement could be reached the complaint was referred to me – an ombudsman – for a final decision.

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 appreciate Mr I was disappointed by the Investigator's opinion. I'd like to reassure Mr I that I've considered the whole file and what's he'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.

Firstly, I am sorry to see Mr I has had cause for complaint. I don't underestimate the worry and anguish this situation has caused, and also the stress of dealing with the complaint about it. Having looked at the complaint fully, my review of the evidence has led me to the same overall conclusions as the Investigator previously set out and for much the same reasons. I will explain why.

Account block and closure

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 Mr I's case Lloyds carried out a review of Mr I's holdings and it's explained in its submissions to this service its reasons for ending its relationship with Mr I. Having carefully considered this, I'm satisfied Lloyds blocked the account and then closed it in line with the obligations it must adhere to. In addition, Lloyds is entitled to close an account just as a customer may close an account with it. But before Lloyds closes an account, it must do so in a way, which complies with the terms and conditions of the account. Having reviewed the terms of the accounts held by Mr I, I'm satisfied Lloyds' decision to close the accounts is in keeping with them and appropriate in the circumstances.

I know Mr I feels Lloyds has acted unfairly given the lack of information provided to him about the closure. Ultimately Mr I can't see how his circumstances have led to this decision, and he would like a detailed explanation as to why Lloyds took these actions. But Lloyds isn't under any obligation to provide further details to Mr I. I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from regulated businesses 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 we consider should be kept confidential. Having carefully considered this information, I'm satisfied Lloyds acted fairly in deciding to end its banking relationship with Mr I.

I must also underline Lloyds 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.

Lloyds informed Mr I of its intention to close his accounts and although it provided him with notice, they remained blocked during this time. I therefore consider this akin to immediate closure. Mr I says Lloyds' decision to close his accounts immediately caused him distress and inconvenience. Mr I says £28,000 in credit facilities was withdrawn with no notice and explanation and had a severe impact, with ongoing consequences. I do appreciate this matter would've caused Mr I difficulty, especially as he appears to have used his accounts regularly and the credit facilities available were extensive. However, given the concerns that Lloyds had I think it acted appropriately in taking the action it did. So although I understand the closure caused inconvenience, I don't consider this to be due any wrongdoing on Lloyds' part.

In Mr I's submissions he has asked for a group-wide review of all actions taken by Lloyds. It is the role of the Financial Ombudsman Service is to resolve individual complaints and to award redress where appropriate. We do not perform the role of the industry regulator, and it is not our role to comment on how businesses conduct their operations. That's the role of the regulator, the Financial Conduct Authority (FCA). For these reasons I won't be able to comment on the issues Mr I has highlighted in relation to the overall operation of Lloyds.

CIFAS marker

As part of its regulatory duties, businesses will use databases to share information. CIFAS is a fraud prevention agency, which has a large database on which information is recorded to protect financial businesses and their customers against fraud. When a bank is a member of CIFAS, it can record a marker against a customer when that customer has used their account fraudulently.

The review of Mr I's accounts led to the application of a marker against Mr I's name. However, Lloyds has confirmed it did not load a CIFAS marker against Mr I. It instead loaded a different type of marker, and depending on the category of marker loaded, it can be visible to other financial institutions and businesses. Lloyds says the marker it applied was initially visible to other banks, but following its review the marker was amended and downgraded on 10 October 2024. This change meant the marker would not be visible externally and to other financial institutions.

Mr I has explained in detail the impact the application of the marker had on him. Mr I has explained his career in financial services has been adversely affected, as this information is checked by employers in the industry. Mr I explained that the whole experience has caused him great emotional and financial distress, and although the marker has since been removed, it was still active between August 2024 and October 2024 and has had a lasting impact on his ability open accounts.

Lloyds has paid Mr I £1,100 compensation in recognition of the distress and inconvenience caused by its decision apply a marker that was visible to other institutions. It's reasonably foreseeable that wrongfully applying a marker would have very serious consequences for the individual involved, such as distress and financial hardship. The award of £1,100 outlined by Lloyds would fall into our substantial award category. This means the businesses error has caused substantial distress where the impact was severe. I understand Mr I feels this amount of compensation is inadequate. Mr I has provided detailed submissions about the

detriment caused to him by the marker. I don't dispute Lloyds actions may have adversely impact him. However, I don't consider it fair or appropriate for further compensation to be awarded to Mr I.

A key issue for Mr I is that the marker meant he missed out on a new job. However, the email he has provided references a CIFAS marker, and the evidence Lloyds has provided shows that it did not load a CIFAS marker. I therefore don't find this is a matter Lloyds can be held responsible for, and I don't consider further compensation necessary for this issue.

Loan repayment

At the time Mr I's accounts closed he held a loan with Lloyds. Mr I proactively reached out to Lloyds to query its repayment, and although he set up a new account and with a direct debit to make the monthly repayments, Lloyds failed to record this correctly.

I understand this was another error for Mr I to have to contend with at what a distressing time was already. Lloyds service to Mr I fell below acceptable standards here, and Lloyds accepts this. Once Lloyds became aware the payment hadn't registered, and a late payment marker had been incorrectly loaded against Mr I it amended these details, which included updating credit reference agency details.

Lloyds accepted its failings when handling the loan repayments, and apologised to Mr I. It also offered Mr I £100 in compensation for the impact this error had on him. Given the details shared by Lloyds and Mr I, I consider this to be a fair amount that adequately reflects the impact Lloyds' error had on this aspect of Mr I's accounts.

I am sorry to hear of the difficulties Mr I experienced and appreciate this was a challenging time for him. I know this will not be the outcome Mr I was hoping for and he 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 compensation.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 27 November 2025.

Chandni Green
Ombudsman