

The complaint

Miss T complains Lloyds Bank PLC unfairly closed her accounts and recorded adverse information on her credit file.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points.

Miss T held a Lloyds current account and credit card account. On 16 July 2024 Lloyds informed Miss T it would be closing the account. It explained Miss T had two months to make alternative arrangements, and that the account would be blocked during this time. Lloyds informed Miss T the balance on her credit card account would also need to be cleared.

Miss T raised a complaint about Lloyds' handling of her accounts, as she said the closure was unfair and she was given unclear and inconsistent information about her credit card account. Miss T says this resulted in adverse information being unfairly recorded against her credit file. In its final response letter dated 11 October 2024 Lloyds acknowledged that in a call Miss T was told the balance on her credit card was zero, when she actually had a balance of £1,816.04. Lloyds said this was due to confusion between her credit card and current account. In order to put things right Lloyds paid Miss T £125 in recognition of the distress and inconvenience caused to her, and it also amended her credit file to remove any adverse markers for the credit card.

Miss T remained unhappy, and maintained Lloyds had unfairly recorded information on her credit file. In its response dated 18 November 2024 Lloyds said that the credit card account still had a balance, and it needed to be paid as soon as possible to prevent it being passed over to the recoveries team. Lloyds confirmed any adverse information up to 11 October 2024 would be removed, but it would not be making any other amendments.

Miss T referred her complaint to this service. An Investigator reviewed Miss T's concerns and in summary, made the following findings:

- Lloyds' decision to close Miss T's accounts was fair due to reasons it has shared in confidence.
- Lloyds did provide some incorrect information – but the steps it has taken to put this right are reasonable and it doesn't need to do any more.
- No further credit entries need to be removed or amended.

Miss T remained unhappy and asked for an ombudsman review – and she reiterated her request for her account to be reopened, and her credit file amended. Whilst the case was awaiting a decision Miss T sent further details regarding her credit file and credit card balance. The Investigator explained any issues Miss T has raised beyond the ones looked at by Lloyds in its responses in October and November 2024 won't be considered.

As no agreement could be reached, the complaint was referred to 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'm very aware that I've summarised the events in this complaint in far less detail than Miss T has and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed 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. I do stress however that I've considered everything Miss T and Lloyds have said before reaching my decision.

Firstly, I am sorry to see Miss T has had cause for complaint – I can understand her frustration with the situation, especially given the impact she has outlined. However, 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 closure

I'll start by setting out some context for the review of Miss T's account. UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. This applies to both new and existing relationships. These obligations override all other obligations. In Miss T's case I'm satisfied Lloyds was complying with these obligations when it reviewed and closed Miss T's accounts.

Lloyds' review of Miss T's accounts led to its ultimate decision to close the account. I understand Miss T feels this decision was unfair, especially as she is a long-standing customer. But this isn't a factor I would expect Lloyds to consider when assessing its legal and regulatory duties. Ultimately, 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 Barclays 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, and they must treat new and existing customers fairly. Given its regulatory and legal obligations, I'm satisfied Lloyds' decision was made fairly.

Miss T says she never received notification – I understand this means the closure would've come as a shock to Miss T. Lloyds' internal records show that a text message and letter were sent to Miss T, so I'm satisfied it took adequate steps to inform her of its decision.

I know Miss T would like an explanation as to why Lloyds took these actions. But it isn't under any obligation to provide this. 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. But I can assure Miss T that having reviewed it, Lloyds' decision to close Miss T's account was fair and reasonable in the circumstances.

The terms and conditions of Miss T's account set out that the bank can close the accounts immediately. In this case Lloyds' blocked Miss T's accounts, so I consider this to be akin to an immediate closure. For Lloyds to act fairly here they needed to meet the criteria to apply their terms for immediate closure. In my view, I consider the evidence Lloyds held to be sufficient for it to close Miss T's accounts in this way.

Credit card account and credit file

A key issue for Miss T is Lloyds' handling of her credit card account. Lloyds' decision to end its relationship with Miss T meant the balance on her credit card needed to be repaid. It's not in dispute that the information Lloyds initially provided about this wasn't clear. During one call in particular Miss T was wrongly informed her balance was zero. I appreciate this must've been a confusing time for Miss T. I can also see Miss T says she had no online access to her credit card account, so she was unable to review the status of her account.

I've gone on to consider the steps Lloyds took to put things right. This involved compensation of £125 and the removal of any adverse markers applied up until 11 October 2024. Given the impact of its error, I consider this to be a fair award. Miss T says this is inadequate and her credit file has been affected, and the monetary amount doesn't recognise the distress caused. 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. Having considered the timeline of events, I think the compensation offer of £125 to be fair.

I say this because the detriment caused to Miss T primarily consists of being told incorrect information – but this was corrected, and Lloyds has ensured the impact on Miss T's credit file was removed. Lloyds also explained to Miss T that a balance remained, and Miss T needed to clear this to prevent any adverse entries on her credit file, and the account passing to recoveries. Miss T's statements show that that the account wasn't brought up to date until January 2025, and she has additional entries on her credit file. I think it's important to highlight that banks such as Lloyds are under a regulatory duty to accurately record accounts information regarding credit and a customer's repayment of any outstanding debt. This isn't a duty it can be selective about, and it forms an important part of the information banks use when making important lending decisions.

I understand Miss T's credit file remains a source of worry for her. However, I can see Lloyds has removed the necessary information from the relevant period – and explained that it won't be removing any others. If Miss T has specific concerns about entries to her credit file made by Lloyds after this time, she will need to raise these as a separate complaint, explaining her concerns with them.

I'm sorry this isn't the outcome Miss T hoped for. While the amount of compensation isn't what she was looking for, I do hope my final decision provides some clarity around why I won't be asking Lloyds to take further steps than it has already outlined.

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 Miss T to accept or reject my decision before 15 January 2026.

Chandni Green
Ombudsman