

The complaint

Mr C is unhappy Lloyds Bank PLC closed his account in error.

What happened

Mr C has a current account with Lloyds. In May 2025 Lloyds received notice from a solicitor that someone with Mr C's name and date of birth had passed away and, in error, Mr C's account was closed and the account balance of around £20,000 was sent to the solicitors.

On 22 May 2025 Mr C discovered his account had been restricted and contacted Lloyds. Due to the information it had received, it asked Mr C to attend branch with identification so it could confirm it was speaking to the genuine account holder. Mr C visited his local branch, Lloyds realised the account had been closed in error and started the process to reverse this and retrieve the funds. It also agreed it would make cash available to Mr C in the meantime.

The new account was opened and the funds returned on 23 May 2025, the day after Mr C had discovered the restrictions although Mr C had to wait to receive a new card and PIN.

Lloyds acknowledged its error and that the situation would've been distressing for Mr C. It offered him £1,000 to acknowledge the distress and inconvenience caused and £14 interest on the funds for the day he'd been deprived of them. Our investigator looked into things and felt the compensation offered was sufficient. Mr C didn't accept this so the complaint has been passed to me.

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 can see this situation has been very difficult for Mr C and he feels very strongly that the way he's been treated by Lloyds is unfair. And this isn't in dispute. Lloyds accept the service he's received is insufficient. So what's left to decide is what Lloyds can fairly and reasonably do in order to resolve the situation.

Mr C hasn't been able to articulate what he feels Lloyds should do beyond feeling as though the compensation offered is not enough. He's said he feels Lloyds should be punished and I understand he has continuing worries about his account and similar issues reoccurring.

I want to assure Mr C I do understand and empathise with his situation. But my role is to decide what Lloyds should do in order to put things right, within the scope of our role as a service. Our role is not to punish businesses. Where possible, where a mistake has occurred we looked to put someone back in the position they would've been in had the error not occurred. In cases like this, this isn't possible. So we consider whether monetary compensation for the distress and inconvenience caused by the error would be appropriate.

Having taken into account and accepted everything Mr C has told us about this situation, including his concerns about the customer service he received and the way he feels he was treated by Lloyds, I think the £1,000 compensation and £14 interest Lloyds has offered is more than fair in this case. This award is significant in accordance with our general guidelines and I wouldn't ask it to do anything more. I also think this amount is a reflection that Lloyds has recognised the seriousness of this situation and its impact on Mr C.

I understand Mr C may still have concerns about his account. But although there was an error in this case, it seems the circumstances were relatively unusual and unlikely to reoccur. But ultimately, it's up to Mr C to decide whether or not he wishes to continue using his Lloyds account if he believes the relationship has broken down beyond repair.

I can see amongst his concerns Mr C is unhappy he's had to arrange new direct debit payments from the new account and arrange for payments he would normally receive into the account to be made to the new account. I accept this has caused inconvenience. Lloyds isn't able to make arrangements with third parties on Mr C's behalf, he needs to do this himself. I'm satisfied the payment of £1,000 takes this into account the inconvenience caused by having to make these arrangements.

My final decision

I uphold this complaint. Lloyds Bank PLC should pay Mr C the £1,014 previously offered. Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 12 February 2026.

Faye Brownhill
Ombudsman