

## The complaint

Mr P complains Lloyds Bank PLC unfairly closed his account and wrongly applied a default against his name.

## What happened

Mr P held a Lloyds classic account. The account became overdrawn, and in early September 2024 a letter was sent to Mr P asking him to credit the account. Lloyds sent follow up letters later in September 2024 and October 2024.

As no response was received, Lloyds removed the overdraft, and the account was sent to its collections department. This department contacted Mr P and sent letters to Mr P, but as no response was received a formal demand was set in December 2024 and a final letter informing Mr P the account would close was sent in January 2025. As the balance was not repaid the account closed in February 2025.

Mr P discovered the accounts status sometime after it closed and tried to make a payment in February 2025 to clear the balance. This payment wasn't successful, and Lloyds offered for payment to be made by 1 May 2025, and that if the debt was cleared Mr P's default would be removed. No payment was received by this date, so the account closed and the default remained.

Mr P raised a formal complaint with Lloyds, explaining that some letters sent weren't received as he lives in Australia, and those that did arrive, were significantly delayed. Mr P said payments were made to the account, and the only reason there is an issue is because Lloyds decided to remove the overdraft on the account. In order to put things right Mr P asked for the accounts to be reopened, interest and late fees to be removed, and the default on his credit file to be taken off.

Lloyds reviewed Mr P's concerns, and in its final response letter dated 1 April 2025 it explained that it removed the arranged overdraft as no credits had been received. The removal of this arranged overdraft, meant Mr P then was in an unarranged overdraft, which also needed to be cleared. Lloyds said it issued Mr P letters explaining that payment needed to be made to the correct address, and that the payment he made after 7 February 2025 wasn't accepted as the account had closed. Lloyds confirmed that the outstanding balance meant a default had been applied to Mr P's credit file.

In addition, Lloyds said it acted in line with the account terms and made attempts to contact Mr P and give him an opportunity to place the account in credit. It confirmed it would not be re-opening the accounts or removing the default.

Mr P remained unhappy and referred his complaint to this service. An Investigator reviewed the complaint and in summary, made the following findings:

- We are unable to tell businesses how to communicate with customers.
- Lloyds issued the letters some time before the account closure – and there was sufficient time for him to clear the balance on the account.

- The option of clearing the balance by 1 May 2025 was given to Mr P, but no payment was received.
- Mr P spoke to Lloyds, so he was aware of the situation with his account.
- Lloyds acted in line with the account terms and doesn't need to take further action.

Mr P disagreed with the Investigator's review and maintained Lloyds had treated him unfairly. Mr P provided detailed submissions – referring to caselaw and regulations.

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.

Firstly, I am sorry to see Mr P has had cause for complaint. I can see from the evidence provided that this complaint and the default applied has been a source of stress for Mr P, and I don't underestimate the concern this situation has caused. 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.

It's generally for banks 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 must keep a customer or require it to compensate a customer who has had their account closed. At times, following a review, banks sometimes choose to end their relationship with customers. This can be due to a number of reasons and a bank isn't obliged to give a reason to the customer. Just the same as if Mr P decided to stop banking with Lloyds, he wouldn't have to explain why.

In Mr P's case the account was closed due to the non-payment of the arranged overdraft on the account. Lloyds explained this arranged overdraft was removed due to non-payment. An arranged overdraft is a credit facility which Lloyds is obliged to provide to customers in a responsible manner. This means it must ensure the credit is effectively managed and doesn't cause a customer detriment. Lloyds has explained that it offered Mr P the chance to credit the account, but as that action wasn't taken the arranged overdraft was removed, which placed Mr P into an unarranged overdraft. This became payable immediately, which is the standard industry approach, and action the terms of the account allow Lloyds to take. I think Lloyds acted reasonably here as it was managing the account to ensure the overdrawn amount was managed effectively, in line with its duties to act as responsible lender.

A key issue for Mr P is that he never received some of the letters Lloyds sent. I have no reason not to accept what Mr P is saying – after all, letters do sometimes go missing, and I am mindful that Mr P resided in Australia. But I have to balance what Mr P has said against the evidence Lloyds has provided – which includes internal notes and screenshots to show the letters were sent to the correct address for Mr P. Lloyds has also provided copies of some of the letters it issued to Mr P, and they are correctly addressed. And I haven't seen that Lloyds was given any information that Mr P was having issues receiving his letters or that he wanted letters sent through a different communication channel.

Mr P says the letters that were received, were delayed and this is because Lloyds chose to use an inappropriate third-party postal service. I appreciate Mr P's views on this, but Lloyds is entitled to select how it sends correspondence and which third party it uses, and this operational decision isn't an issue I can comment on. I am also mindful of the fact that Mr P had access to statements and his account – so he would've been aware of the account

balance, and the need for action to be taken. Mr P also says that Lloyds chose to use post when it could've used other methods of communication. However, Mr P had listed post as an appropriate method of correspondence, and its process when an account is in arrears or in the closure process is to issue letters. So, whilst I have sympathy for Mr P, I don't consider these postal issues to be something Lloyds can be fairly held responsible for.

Once Mr P became aware of the situation he has explained he made payment towards the account in February 2025. Unfortunately, this payment wasn't successful as the account had already closed – and passed to the collections team. In recognition of the fact Mr P lived abroad and wasn't able to receive information swiftly from Lloyds, I can see it offered to remove the default on the account when payment was received, and Mr P was given until 1 May 2025 to make this payment. I consider this to be a fair and reasonable approach for Lloyds to take, and it recognises Mr P's individual circumstances. No payment was made by 1 May 2025, so the default remained on the account.

I understand Mr P says the application of the default is unfair and has a significant impact on him. I appreciate this but Lloyds is obliged to provide accurate information to credit reference agencies and although Mr P had been in contact with Lloyds, the necessary payment was received and the debt remained. Ultimately when an account is in arrears a lender can register a default, even if there is ongoing contact between both parties. So given its regulatory reporting duties I think Lloyds has acted reasonably in recording a default and I don't think it would be fair to ask it to remove this.

I can see in response to the Investigator's review Mr P has referred to UK caselaw, legislation and regulatory guidance to support his position. I've thought about these submissions, and I must highlight that when reviewing complaints this service considers a wide range of sources – this includes the law, regulatory guidance and good industry practice. I can assure Mr P that our approach to cases of this nature factors in these various sources and issues. Taking all of this into consideration I am satisfied Lloyds has acted appropriately in the specific circumstances of Mr P's case.

In summary, I recognise how strongly Mr P feels about what's happened, and I don't doubt it has been a frustrating experience. So, I realise he will be disappointed by my decision. But overall, based on the evidence I've seen, I can't say Lloyds has acted unreasonably and treated Mr P unfairly when it closed his account and asked him to repay his outstanding debt. So, I won't be asking Lloyds to do anything further.

### **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 P to accept or reject my decision before 13 February 2026.

Chandni Green  
**Ombudsman**