

The complaint

Ms A complains Lloyds Bank PLC unfairly restricted her account and provided poor service.

Ms A is represented – but for ease I will refer to her directly.

What happened

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

Ms A held a Lloyds classis account. Lloyds reviewed Ms A's account and restricted it on 10 October 2024.

Ms A was in contact with Lloyds regarding the blocks and was initially told there were no restrictions on the account. Ms A was later told the account was blocked and she could attend branch with identification to remove it. The information was incorrect on both occasions – Ms A's account was blocked and attending branch with ID would not have removed the block.

Ms A raised a formal complaint with Lloyds regarding the handling of her account on 8 January 2025, explaining Lloyds' actions had caused her significant distress given her health conditions and vulnerabilities and its service was very poor. Lloyds reviewed Ms A's concerns and issued a final response letter on 29 March 2025. Lloyds explained it had reviewed and blocked the account in line with its legal duties and the account terms. However, it did acknowledge the service Ms A received fell below reasonable standards. It paid Ms A £250 in recognition of the distress caused to her by its poor service.

Unhappy with Lloyds' response, Ms A asked our service to review her concerns. In her referral Ms A explained the handling of her account caused significant distress, hardship and inconvenience. Ms A explained that attending branch was particularly challenging given her age and health issues, and this extra physical burden was placed on her due to Lloyds' poor service. The account block had a deep psychological impact as she was anxious and worried, and she had to borrow funds to cover basic living needs. In order to put things right, Ms A feels £25,000 is a fair redress amount.

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

- Lloyds is entitled to close block and review the account, but it must do so in line with the account terms.
- Lloyds isn't under an obligation to provide a specific reason to Ms A for the review. It has informed this service in confidence of its reasons, and these are fair.
- The payment of £250 for the poor service received by Ms A was fair, and Lloyds doesn't need to take any further action.

Whilst the complaint has been with our service, I can see Ms A experienced issues when she attended branch, but the account balance was returned to her on 23 August 2025. My

review of the complaint has focused on the points raised by Ms A directly with Lloyds and addressed in its final response letter of 29 March 2025. In line with the rules that our service must follow, Ms A will need to raise a separate complaint directly with Lloyds if she wishes these additional points looked into.

Dissatisfied with this review, Ms A asked for her complaint to be reviewed by an Ombudsman.

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 Ms A has had cause for complaint. I can see from her submissions that she has experienced significant health issues, and she has my sympathy for what must be a very challenging time. I'd like to reassure Ms A that I've considered the whole file and what's she'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.

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 Ms A's case Lloyds reviewed the account and placed a block on it.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks 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 that we considered should be kept confidential. This means I haven't been able to share a lot of detail with Ms A, but I'd like to reassure her that I have considered everything she and Lloyds have said before reaching my decision.

As Ms A is aware, Lloyds carried out a review of her account in line with its regulatory duties. Looking at the actions it took I'm satisfied Lloyds acted in line with its legal duties and account terms in reviewing the account in the manner it did at this point. I understand Ms A is vulnerable and believes she should be given a specific reason for the actions Lloyds took, but Lloyds is under no obligation to provide this to Ms A. The fact Ms A is vulnerable doesn't mean Lloyds needs to depart from this – and the reasons it has disclosed to me in confidence show its actions were appropriate.

Lloyds' review of Ms A's account led to its ultimate decision to close the account. 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 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.

The terms and conditions of Ms A's account set out that the bank can close the account by providing 60 days' notice. In certain circumstances, it can also close the account immediately. Ms A's case the account was blocked whilst Lloyds completed its review and then closes the account. I consider this akin to immediate closure. 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, I'm satisfied that Lloyds did.

The immediate closure of an account can have a serious impact on a customer and isn't a decision that can be taken lightly. In Ms A's case I can see the account block and closure caused her a significant amount of upset and inconvenience, especially in light of her health. Ms A says she needed access to the account and funds, and attending branch was particularly challenging.

Ms A has my sympathy for what was clearly a difficult time for her. I've thought carefully about her comments, and although I can see the impact of the block and closure was significant, I don't think Lloyds acted unfairly in blocking and then closing the account. It's regulatory and legal obligations override all other obligations. I am also mindful that the account activity doesn't reflect a reliance on the account for day-to-day spending. Ms A received benefits payments into the account, but in the months running up to the account restriction I can't see Ms A utilised the account daily. So whilst I understand the restriction and closure would've caused inconvenience and concern, I can't see that it would've had the impact Ms A has outlined.

However, it isn't in dispute that the information provided to Ms A at times was conflicting. Given Ms A's health, I understand attending branch would've presented challenges, and the conflicting information would've caused confusion and added to her concerns. Lloyds has agreed to pay Ms A £250 in recognition of this failing. Ms A considers £25,000 to be fair redress and she find Lloyds' offer unacceptable.

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. In Ms A's case I recognise her health issues meant the issues with Lloyds were particularly distressing. But I am also mindful that Lloyds was carrying out the account review for legitimate reasons. In light of this and after considering our guidance for compensation awards, I consider the compensation offered by Lloyds to be fair offer, and I don't consider an increase to be appropriate.

I know this will not be the outcome Ms A was hoping for, and she 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 compensate Ms A.

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 Ms A to accept or reject my decision before 5 March 2026.

Chandni Green
Ombudsman