

The complaint

Mr D complains Lloyds Bank PLC unfairly closed his account.

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 D held a Lloyds account and following a review, Lloyds made the decision to close the account – Mr D was provided with two months' notice so he could make alternative arrangements. The account was blocked during this time, with Mr D being able to access wages and benefits only.

Mr D raised concerns about the handling of his account and referred to a fraud marker being applied by another bank and explained Lloyds' ought to explain its reasons to him clearly. Mr D also says his account was closed following allegations of forged documents being used, which is untrue. Mr D says he was treated in a discriminatory manner, and he received poor service from staff. Mr D says he was unable to pay for food and rent, and Lloyds' actions caused him severe distress and inconvenience.

Lloyds reviewed Mr D's concerns and explained it had reviewed and closed the account in line with the account terms and conditions, and it wasn't under a duty to provide him with a reason for the actions it took.

Given his ongoing concerns Mr D referred his complaint to this service. An Investigator reviewed their concerns and in summary, made the following findings:

- Lloyds' regulatory obligations mean it is entitled to carry out reviews of customer accounts and close them.
- Lloyds acted in line with the account terms and Mr D had time to make alternative arrangements.
- Lloyds doesn't need to provide its reasons to Mr D for closing his account.
- The £30 offered by Lloyds for the service issues Mr D says he experienced is fair.

Mr D disagreed with the Investigator's findings and explained that Lloyds' actions were unjustified and disproportionate. Mr D said Lloyds had failed to act in line with FCA guidance, and it had made the decision based on incorrect assumptions. Mr D says his account had not been engaged in illegal activity and Lloyds had caused him distress and inconvenience.

The Investigator clarified her position and maintained her initial view. As no agreement could be reached, the case has been 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 D was disappointed by the Investigator's opinion. I'd like to reassure Mr D 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.

I'll start by setting out some context for the review of Mr D'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 Mr D's case I'm satisfied Lloyds was complying with these obligations when it reviewed Mr D's account.

Lloyds has provided details of the evidence it held that prompted its review of Mr D's account. As Mr D is aware the fraud marker against his name prompted this overall review. I find the evidence provided by Lloyds to be compelling, and I consider its action to review and block the account to be fair and necessary in order for it to meet its legal and regulatory duties. The terms of the account held by Mr D allow Lloyds to block the accounts in specific circumstances. Given the information Lloyds has regarding the fraud marker, I think its decision to block the account was appropriate.

I understand Mr D's frustration with the block, and I don't doubt it would've had a detrimental impact on him. Mr D says he was unable to pay rent – but I can't see rent payments were made from this account. I accept the block would've had an impact on Mr D, but I am also mindful Mr D likely had other accounts that he could've relied on. Ultimately, I consider the block to be necessary to ensure Lloyds was able to comply with its regulatory requirements.

The review carried out by Lloyds led to the ultimate decision to close the account held by Mr D. Part of Mr D's complaint is that he has never been given a clear reason for the closure, and this has added to his distress and frustration. Lloyds is under no obligation to provide Mr D with its reasons for taking the actions it did, as much as Mr D would like to know. So I won't be directing it to disclose its reasons to Mr D.

I will highlight that Lloyds is entitled to set their own policies and part of that will form their risk criteria. Mr D says the decision to close the account due to the fraud marker is unfair as he is challenging its application. However, the fraud marker is a key issue for Lloyds and will form part of its wider review. Banks share information to ensure they can work together to meet their legal duties and fight crime. 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 the information Lloyds has shared with this service, I am satisfied the decision to close the account was made appropriately.

Mr D was given two months' notice, which allowed him to take alternative banking arrangements. During this time Mr D could access wages or benefits in branch. I appreciate this would've caused Mr D concern and it would've caused an expected level of inconvenience and I know Mr D had no online access to his account. Mr D says he was

unable to manage his finances, and it caused him stress. The restriction and closure of an account in this manner can have serious consequences. However, based on the evidence I've seen I am satisfied Lloyds was able to take these steps in line with the account terms.

A key issue for Mr D that Lloyds failed to provide clear information when he was in contact with staff. Lloyds accepts its service could've been better. Given the nature of the review of Mr D's account there was limited information that could be given to Mr D. I consider the £30 Lloyds has offered the distress caused to Mr D during his branch visit to be fair and in line with our approach to compensation.

In his complaint to Lloyds Mr D said he feels discriminated against as Lloyds treated him poorly as he is not from the UK. While I can appreciate this is Mr D's perspective, it is not my role to decide whether discrimination has taken place – only the courts have the power to decide this. I have, however, considered the relevant law in relation to what Mr D has said when deciding what I think is the fair and reasonable outcome. Part of this has meant considering the provisions of The Equality Act 2010 (The Act). And after looking at all the evidence, I've not seen anything to suggest that Lloyds treated Mr D unfairly.

While I appreciate how Lloyds closing the account made Mr D feel, I have to consider if other customers in similar situations would have been treated the same way. Having looked at all the evidence, I haven't seen anything to show that Lloyds would have treated another customer with similar circumstances any differently than Mr D. Based on the information I've seen Lloyds has based its decision on legal and regulatory factors. So, I can't say Lloyds treated Mr D unfairly because of his background.

Mr D has also referred to regulatory guidance and says Lloyds has failed to adhere to treating customers fairly principles. I can also see he has referred to proposed changes in the notice period for account closures. My review of Mr D's complaint has factored in current regulatory duties, and I am satisfied Lloyds has acted fairly in its treatment of Mr D and its wider duties.

I know this will not be the outcome Mr D 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 take any further action.

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 D to accept or reject my decision before 11 March 2026.

Chandni Green
Ombudsman