

## The complaint

A company which I'll call 'B' complains that Lloyds Bank Plc treated them unfairly when it closed their client asset account.

The complaint is brought on B's behalf by their director, Mr D.

## What happened

B held ten small deposit accounts for different clients. In late 2018, the company said they spoke to their new Lloyds Relationship Manager ('RM') about opening a pooled account to hold the funds they held for their clients. B said they initially had concerns about how this would work, given that different interest amounts would be payable to different clients. However, the RM said that this wasn't an issue, and the bank could calculate the appropriate sums as needed. So, they opened the account on the basis that Lloyds could undertake the required interest calculations.

In March 2019, B said they needed to return the funds for one of their clients and contacted Lloyds to request the refund of any applicable interest for that account. Lloyds wasn't able to do this and after much to-ing and fro-ing between B and Lloyds, it was established that the client asset account wasn't set up as B had believed. In September 2020, B had a call with Lloyds and the bank said it needed to unravel the pooling arrangement which had been put in place in 2018.

To do this, B said Lloyds asked them to complete a lot of complex forms – without giving the company any guidance – and also asked B to provide a lot of information about their clients. B said they were caused a significant amount of inconvenience and the information was often difficult to provide due to the nature of the funds that the company was holding, and the impact of the Covid pandemic. On several occasions, B had to wait for couriers to collect information from them, however, due to errors by Lloyds the correct instructions weren't given to the couriers. B said this caused them inconvenience as they'd had to wait around for lengthy periods of time.

In November 2021, B's RM said the bank would be closing the pooled account, so the company moved the funds to another of their deposit accounts held with Lloyds. B says the bank didn't object to this.

In January 2022, B asked Lloyds to recalculate the interest and payments due to their clients (for whom they had now set up twelve different accounts) – but they didn't receive a response. In July 2022, B received a notice to close letter about the deposit account which they'd moved the client funds into. The letter said this was because B hadn't made any attempt to open a new client account. B didn't think this was fair, so they made a complaint.

Lloyds didn't uphold B's complaint. The bank said it had discussed the origin of the funds in B's account with the company in 2020 and initially believed these weren't client funds and moved these to a different account type. Once it was established that these were client funds, it told B that they couldn't have one pooled account but needed individual accounts for each of their clients. This was in line with its regulatory obligations. It recognised this was

a complex request and had given B sufficient time to do this, instead, they had simply moved the funds to another company account. Therefore, it had taken the decision to close B's account by giving 60 days' notice and end its relationship with the company. B didn't think this was fair and asked our service to look into their complaint.

Our investigator didn't recommend the complaint be upheld. She thought Lloyds had acted in line with its processes when closing B's client assets account and had given the company the required notice period. She was satisfied that Lloyds had sent B the forms it required and tried to assist the company, but she didn't think it was fair to hold the bank responsible for information not being received as a result of a courier. The investigator also said that she couldn't comment on Lloyds decision not to offer these accounts going forward as this was a commercial decision the bank was able to make.

B didn't agree. They said that Lloyds hadn't behaved fairly, clearly, and transparently when dealing with their complaint. They also said that the issue with the courier was caused by Lloyds, as the bank didn't provide the documents needed for the courier to make the collection. As an agreement couldn't be reached, these complaint points have been passed to me to decide.

B also provided an explanation for why some aspects of their complaint hadn't been brought to our service in time. This has been covered under a separate complaint reference, so I won't respond to this further.

### **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.

Having done so, I've decided not to uphold it. I can see that B has raised numerous complaints with Lloyds, and that many of the issues are interlinked. Therefore, I want to be clear that I will only be addressing B's complaint about the closure of their account, which was addressed in the Final Response letter of July 2022. All other complaints points have been addressed under a separate decision so I will not be commenting on these.

B says that Lloyds has behaved unfairly in the way that it has closed their account. But don't agree. I say this because Lloyds has legal and regulatory obligations that it needs to meet, and I can see that the bank wasn't satisfied that B was taking the required actions with regards to the various client accounts for it to meet those obligations. I've seen that Lloyds issued B with a notice to close letter in July 2022 giving the company two months' notice of its intention to close their account. It then extended this twice until November 2022 to allow B more time to move their account. So, I don't think Lloyds behaved unfairly here.

B told us that Lloyds hadn't given them any help to make the changes it required, nor did it say that using the account they transferred the client funds into wasn't allowed - but I'm not persuaded that's the case. I've seen copies of the letters which were sent to B in April, June, July, and August, along with the accompanying guidance information, so I'm satisfied that Lloyds did try and assist B to help with the account opening. I've also reviewed the content of the letters and I'm satisfied that they were clear about the information B needed to provide – and why the bank needed that information.

I'm also satisfied that Lloyds was clear as to why the account B transferred their client funds into wasn't allowed, as the bank had already explained in its letters in November 2021 that due to legislation changes, B needed to hold a designated client account for those funds. However, B didn't open the accounts as requested – despite several deadline extensions to allow them to do so. I've also seen that Lloyds wrote to B in November 2021 to offer a

meeting to discuss the company's concerns. I recognise that B says they responded to the bank shortly after this letter was received, however I haven't seen any evidence that B followed this up with the bank until May 2022 – around six months later – by which point Lloyds had already held client funds in an incorrect account type for a significant period. So overall, I'm not persuaded that Lloyds behaved unfairly and without transparency in its dealings with B.

I can see that there is a discrepancy here about the involvement of a courier and Lloyds not providing the required information for the courier to collect the documents. However, it's not for me to fine or punish a business for making a mistake, and B has said that the RM provided them with the documents needed, shortly after the error had been identified. So, I'm not persuaded there is the level of impact here that B claims. But in any event, I don't think that the small delay here with regards to documents being completed and provided had any impact on the bank's decision to close B's account. Particularly given that it appears the forms provided to B at this time were incorrectly completed by the company, despite the bank's offer of assistance, and needed to be completed again.

Mr D told us that he's been personally caused inconvenience because of what's happened. However, our service is governed by the DISP rules which say that we can only look at complaints on behalf of an eligible complainant, which in this case is B. It therefore follows that I can only award compensation to B. However, as I have explained, I don't think the bank did anything wrong in closing B's account, so I won't be considering any inconvenience caused to the company as a result of this. Mr D also says that Lloyds hasn't dealt with B's complaints fairly, clearly, and transparently. But I'm also unable to look into this, as complaint handling isn't an activity that we cover.

I'm sorry to disappoint Mr D as I know he feels strongly about B's complaint. However, based on what I've seen, I'm satisfied that Lloyds treated B fairly when closing their account. So, I won't be asking the bank to do anything more.

### **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 B to accept or reject my decision before 3 May 2024.

Jenny Lomax  
**Ombudsman**