

The complaint

R complains about the way Lloyds Bank PLC closed its business account. R also complains about overdraft fees charged.

What happened

R held a business current account and associated overdraft with Lloyds. In February 2023 Lloyds says it reviewed its relationship with R and took the decision to close the business account. Lloyds says the decision was in line with its business current account terms and conditions that allow it to close an account for any reason by giving 60 days' notice. Lloyds also says overdrafts are repayable on demand.

On 21 February 2023 Lloyds sent R a notice to close letter that said the business account would be withdrawn in 60 days. R's director, Mr D, has confirmed that the letter was not received so he was unaware of Lloyds' decision.

R also holds a lending facility with Lloyds and on 3 May 2023 a Loan Servicing Account (LSA) was opened on its behalf to receive loan payments. Lloyds says it sent R a letter to confirm it had opened the LSA for it to use for repayments going forward.

On 17 May 2023 the business account was terminated and overdraft facility withdrawn by Lloyds. The following day, Mr D contacted Lloyds and it came to light R hadn't received its letters providing details of the plan to close its business account. Mr D complained and asked Lloyds to give a reason for its decision.

Lloyds issued a final response on 18 May 2023 but didn't agree it had made a mistake. Lloyds advised it had taken the decision following an account review. And Lloyds confirmed it had provided the relevant notice period following its closure letter dated 21 February 2023. Lloyds added that it had written to R about the new LSA when it had been opened at the beginning of May 2023.

Mr D referred R's complaint to this service and it was passed to an investigator. In the complaint submission, Mr D explained he was also unhappy with the overdraft fees R had been charged. Our investigator reviewed R's case but wasn't persuaded Lloyds had acted unfairly by closing R's business account. And the investigator didn't find grounds to ask Lloyds to refund overdraft fees incurred by R. On R's behalf, Mr D asked to appeal and said Lloyds had closed its account without a valid reason. Mr D added that Lloyds staff had told some of R's clients that its business account was closed due to fraud. Our investigator went back to Lloyds which confirmed that Mr D hadn't notified it of his complaint about the release of information to R's clients so it hadn't had the opportunity to investigate. As Mr D asked to appeal R's complaint it's been passed to me to make a 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'm aware I've summarised the events surrounding this complaint in less detail than the parties involved. No discourtesy is intended by my approach which reflects the informal nature of this service. I want to assure all parties I've read and considered everything on file. I'm satisfied I don't need to comment on every point raised to fairly reach my decision. And if I don't comment on something, it's not because I haven't considered it. It's because I've focused on what I think are the key issues. My approach is in line with the rules we operate under.

In response to the investigator, Mr D said that Lloyds had still failed to provide a valid reason for closing R's business account. But the account terms say Lloyds is free to close an account as long as it provides the relevant notice period. And whilst I understand Mr D feels Lloyds should provide a more comprehensive answer, it's confirmed a review of R's account was completed which led to its decision being taken. I'm satisfied Lloyds has reasonably explained why it closed R's business account.

Before closing R's account, Lloyds needed to provide sufficient notice. Lloyds has confirmed it wrote to R on 21 February 2023 with 60 days' notice of its intention to close its business account and advising alternative banking arrangements were required. As R maintained loan payments from its business account, Lloyds later took the step of setting up a LSA for future payments to be taken and sent a letter to confirm. Mr D has explained that neither letter was received so it was a shock to find the business account stopped working on 17 May 2023. And I can see Mr D made contact with Lloyds the following day to discuss the business account. Whilst I understand Mr D has explained the letters Lloyds sent weren't received, I've reviewed the available information. I'm satisfied both the account closure and new LSA letters were issued by Lloyds as claimed. And I can see Lloyds holds the same address information as R has provided to us. On balance, I'm satisfied the letters were sent to R as Lloyds says and that it followed the correct steps when arranging to close its business account.

As Lloyds acted in line with its account terms and conditions when closing R's account, I'm unable to agree it's acted unfairly or made any mistakes.

Mr D has explained he's unhappy with the overdraft fees R paid. But I've looked at the statement evidence available for R and haven't seen any sign that it was overcharged for its overdraft use or that fees have been incorrectly applied. I'm sorry to disappoint Mr D but as I haven't seen any evidence to show R's been overcharged, I'm not able to award a refund of overdraft fees.

In response to the investigator Mr D advised that Lloyds had told clients that R's business account had been closed due to an element of fraud. But Lloyds has explained no complaint of this nature has previously been received so it hasn't had the opportunity to investigate. The Financial Ombudsman Service can't consider a complaint until a business has had a chance to review it. And whilst I understand Mr D wants us to look at his concerns about the way R's business account was closed, these issues relate to post closure problems. I'm satisfied that's a separate issue. Mr D has the right to refer R's complaint on this point to Lloyds to investigate as a new case.

I'm sorry to disappoint Mr D but as I'm satisfied Lloyds followed the right process when closing R's business account and haven't seen any evidence that shows the overdraft fees were incorrectly applied I'm not telling it to do anything else.

My final decision

My decision is that I don't uphold R's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 26 September 2023.

Marco Manente
Ombudsman