

The complaint

L Ltd, represented by Mrs O, complained because HSBC UK Bank plc closed its client account.

What happened

L Ltd had three accounts with HSBC: a business account, a savings account, and a client account. The client account was opened in 2007.

From late 2019 onwards, HSBC contacted L Ltd and asked questions about the nature of the business, and the client account. Mrs O said that HSBC's representative rang about nine times and made two visits to the office, staying a long time and asking the same questions.

On 10 September 2020, HSBC wrote to L Ltd. It said that it could no longer provide a client deposit account. It explained that this followed a thorough review of the business and professional registration. HSBC said that *"Client Deposit Accounts can only be held by regulated businesses or those registered with a designated professional body, who are required to hold money on behalf of their parties/clients."*

So the letter said that the client account would be closed with two months' notice, in line with clause 29 of the business banking terms and conditions. The account was closed on 14 November.

In its final response to L Ltd's complaint in January 2021, HSBC said that after thorough review, it had decided to exit L Ltd's client deposit account, and unfortunately this decision couldn't be overturned.

L Ltd, represented by Mrs O, complained to this service. L Ltd said that HSBC had provided the client account in 2007, and it had never lied to or misled HSBC, providing every document HSBC asked for. Closing the account would mean restructuring and would be very expensive, and Mrs O said she didn't know how she could do this in the middle of a pandemic. She said she'd allowed HSBC staff to ask her the same questions over and over again, for ten months.

L Ltd also said that HSBC had known all the circumstances when it had opened the account in 2007. Mrs O said that the HSBC representative had told her the account had been opened by mistake in 2007. She said L Ltd shouldn't have to pay for HSBC's mistake, and for closing the account HSBC *"must pay £30,000 compensation for the impact."*

Our investigator didn't uphold L Ltd's complaint. He said the terms and conditions of the account allowed HSBC to close the account, without giving a reason, provided it gave 60 days' notice. He said that HSBC regularly reviews its customer base, to ensure it was comfortable continuing to allow customers access to certain accounts, and L Ltd had been chosen for a review. The account had been closed as a result.

L Ltd wasn't satisfied and asked for an ombudsman's decision. For L Ltd, Mrs O said that it wasn't as simple as HSBC being able to close any account it wants. She said the investigator's decision just empowered HSBC to get away with harassment. She said she was certain this was about race, as everything had been fine until L Ltd's account manager changed. She said HSBC was discriminating against L Ltd because it was from a country abroad and did a lot of business in that country. She said that it was doing nothing illegal or wrong and our investigator was enabling racism.

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've looked at the terms and conditions of L Ltd's client account. As set out in HSBC's letter giving L Ltd notice of the closure, section 29 sets out how HSBC can end the agreement, withdraw services and close the account. The section relevant to L Ltd, where HSBC gave notice, says:

"We may close an account or withdraw any service by giving you at least two months' notice."

HSBC did give L Ltd two months' notice, closing the client account on 14 November. So HSBC acted in line with the terms and conditions.

HSBC didn't have to give L Ltd a reason – in the same way that account holders can close their accounts without giving a reason. But here, HSBC did, saying that it was because client accounts can only be held by regulated businesses or those registered with a designated professional body.

Banks can conduct reviews of accounts at any time, so HSBC was entitled to carry out the review of its relationship with L Ltd, just as it was entitled to close the client account. I can't say whether or not a client account should have been opened in 2007 – for one thing, records don't have to be kept indefinitely, and it's now a long time ago. But this complaint is about the closure, and whatever happened in 2007 doesn't affect whether or not HSBC did anything wrong by closing the account in 2020. HBC was entitled to close the account, and it gave the relevant notice set out in the terms and conditions to which L Ltd had signed up.

So I find that HSBC didn't do anything wrong.

Finally, in her response to the investigator's view, Mrs O said that she was certain the account had been closed because of race discrimination. This service is governed by rules set out by the regulator, the Financial Conduct Authority (FCA). One of those rules is that we can only consider issues about which the consumer has already complained to the business. Here, I've seen nothing to show that L Ltd ever complained to HSBC that it had taken its decision because of the race of Mrs O. So it's not open to this service to consider this.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask L Ltd to accept or reject my decision before 21 February 2022.

Belinda Knight
Ombudsman