

The complaint

A company which I refer to as J complains that whilst conducting their Safeguard review HSBC UK Bank Plc unfairly suspended its account in the belief it had provided incorrect information to the bank regarding its ownership.

In bringing this complaint J is represented by its secretary who I refer to as Mrs M.

What happened

The background to this complaint is well known to the parties so I won't repeat it in detail.

Briefly, in February 2021, HSBC wrote to J requesting information to enable them to conduct their Safeguard review. Further letters were sent to J in March, April and June 2021 chasing the information. In their June 2021 letter HSBC gave notice that they would withdraw all services from J and close its account by 10 August 2021 if they didn't receive the information they'd asked for.

However, towards the end of May 2021 J had in fact responded to HSBC's request. So, it would appear J's response crossed with the bank's June 2021 letter.

But HSBC weren't satisfied that J had given them correct information regarding its beneficial ownership. This assumption was based on HSBC's analysis of J's 2016 Annual Return. So, towards the end of June 2021 HSBC wrote again to J disputing the information it had provided. They asked J to amend and resubmit the form with the correct information.

In July 2021 HSBC sent a reminder to J that the information they had asked for was still outstanding. A month later in August 2021 HSBC told J that access to its bank account and related services had now been withdrawn. HSBC cancelled J's direct debits and its credit card.

In September 2021 J complained to HSBC. It said it had sent the correct information to them regarding its ownership. HSBC agreed to reverse the suspension and continue with their review. They also reinstated some of J's direct debits but not J's credit card.

HSBC maintained, however, that they didn't do anything wrong. They said they'd suspended J's account because it had given them incorrect information regarding its beneficial ownership.

J didn't agree with HSBC and referred its complaint to this service.

Our investigator concluded that HSBC acted unfairly when they suspended J's account. He observed that when challenging the ownership information J had given them, the bank had been relying on information taken from J's 2016 Annual Return rather than the information in the 2019 Annual Return from which J's figures were taken. On balance, the investigator was satisfied that the suspension of J's account would have been avoided if HSBC had taken account of the correct up to date information in J's 2019 Annual Return.

The investigator was further satisfied that HSBC's actions caused J inconvenience because:

- J was denied access to its account for the two-week period of its suspension.
- Mrs M had to contact various companies to reinstate the direct debits HSBC were unable to do; and
- J no longer had a credit card and would have to submit a fresh application to obtain a new one.

To put things right the investigator recommended that HSBC:

- Refund charges, if any, relating to the decline of any direct debits caused by the suspension of J's account.
- Correct any negative credit file entries caused by the suspension; and
- Pay £500 to J for the inconvenience they caused to the company.

HSBC accepted the investigator's recommendation, but J didn't. Mrs M didn't think the investigator's recommendation went far enough. So, she has asked for an ombudsman to review the matter.

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 reached the same conclusions as the investigator and for broadly the same reasons. I'll explain why.

The Safeguard review is a legal requirement HSBC is obliged to carry out on behalf of its customers, including J. And to complete that review, HSBC were entitled to ask J for the information they needed in order to do so. But on receipt of that information it's not unreasonable to expect HSBC to properly determine its accuracy before insisting it was wrong.

I do not find that HSBC did so in this case. In June 2021 they told J that the company had provided incorrect information to the bank regarding its ownership. But the ownership information HSBC were relying on was out of date. In other words, instead of relying on the more up to date figures from J's 2019 Annual Return, which J had given to them, instead HSBC had been using out of date information from J's 2016 Annual Return when insisting the details J had given them were wrong.

Like the investigator, I am also satisfied on balance that, but for HSBC's error it would have been clear J had provided accurate and up to date information regarding its beneficial ownership. So, there would have been no need to call into question the accuracy of that information. On that basis I am also satisfied that the suspension by HSBC of J's account, the cancellation of its direct debit and the closure of its credit card account was avoidable. HSBC's decision to take such actions was therefore unfair because it was based on its error. I'm pleased that after two weeks HSBC ultimately agreed to lift the suspension on J's account and reinstate some of J's direct debits. But I find that HSBC's error did cause J the inconvenience noted above and that that they should therefore compensate J for that inconvenience.

Putting things right

I understand Mrs M feels the steps recommended by the investigator fall short of what's

required to put things right for J. But after carefully considering the circumstances of this case, I'm of the view that the steps he recommended that HSBC should take fairly reflects the impact of the bank's error and is a fair way to resolve this complaint

My final decision

My final decision is I uphold this complaint. In full and final settlement of it I therefore recommend that HSBC:

- Refund charges if any relating to the decline of any direct debits caused by the suspension of J's account;
- Correct any negative credit file entries caused by the suspension; and
- Pay £500 to J for the inconvenience they caused to J.

Under the rules of the Financial Ombudsman Service, I'm required to ask J to accept or reject my decision before 29 June 2022.

Asher Gordon
Ombudsman