

## **The complaint**

Mr B and Miss M, who are the partners in M, complain that HSBC UK Bank Plc closed M's bank account.

## **What happened**

M had an account with HSBC. In January 2020, HSBC contacted the partners of M, saying it needed them to update and confirm their business details. One of the partners contacted HSBC and was told he needed to complete this review online. But the partner says he doesn't conduct anything to do with banking online, and asked if he could instead complete the review by phone or in branch. He says he was told this wasn't possible – and so told HSBC it needed to make other arrangements.

HSBC contacted M again on a number of occasions. Each time, M contacted HSBC to say it wouldn't complete the review online. In August 2020 HSBC sent M a form asking the partners to give an email address and mobile phone number. The partners completed the form, entering "n/a" in the box for the email address.

In October 2020, HSBC decided to close M's account, with effect from 15 December 2020.

M says it didn't discover this until December 2020, when a payment from its business debit card was declined. One of the partners visited a branch, and was told the account had been closed by the review team. He tried to contact HSBC but was told he couldn't speak to them as he'd failed security checks. He then received a letter confirming that access to the business account had been withdrawn. Subsequently, he received a letter asking him to register for telephone banking – and another which, incorrectly, said HSBC now had all the information it needed. Dissatisfied, M complained to HSBC.

HSBC looked at the complaint. It didn't think it was wrong to have closed the account. But it accepted that M had needed to wait when it tried to contact HSBC and that HSBC had given M some incorrect information. It offered to pay M £100 for the trouble and upset this had caused – though M says it never received this offer. M then referred the complaint to us.

In April 2021, HSBC sent M a cheque for the outstanding balance.

In May 2021, M stopped trading. The partners say they were unable to pay the account into another account as they didn't have an account in their joint names. They say they were also unable to open a new business account as none of the banks they approached were opening new business accounts at that time. M was also informed by their payments processor that it could no longer pay card payments into M's account. M says it had to sell its remaining stock at a reduced price – and that in order to repay the outstanding balance on M's credit card, one of the partners had to sell shares.

Our investigator looked at this and thought HSBC should uphold the complaint – and asked HSBC to reopen the account and pay M compensation for the trouble and upset it caused. HSBC completed further checks, this time over the phone, and agreed to reopen the

account. M disagreed, as it thought it should get more to reflect the financial losses it suffered because of HSBC's actions. The complaint was then referred to me.

I issued my provisional findings on this complaint on 6 February 2023. I said that given HSBC had reopened M's account, the £100 it had previously offered would be a fair resolution to the complaint. I said:

"Financial businesses like HSBC are subject to a number of legal and regulatory requirements. These include making sure it has up-to-date details for its customers. And if customers don't provide this information, these legal and regulatory requirements mean that HSBC may need to suspend or close any account.

"This is reflected in the terms and conditions that apply to HSBC's business accounts. These state that "If we make a reasonable request for information, you must give it to us as soon as possible." The terms go on to say that "If you don't [...] we could block or close your account(s) or suspend your access to services". Elsewhere, the terms state that HSBC can close accounts by giving M at least two months' notice.

"Looking at everything, I'm satisfied that HSBC was acting in line with its legal and regulatory requirements when it asked M to provide information about the account.

"I've next considered HSBC's requirement that the review be conducted online.

"M didn't use online banking. But HSBC has explained that it didn't require M to use online banking. HSBC says that in order to complete the review it required an email address. It says this was so it could issue documentation electronically. It says it wasn't able to carry out these reviews in branch. It considers email to be an acceptable and accessible method of completion for all customers to use.

"M disagrees. The partners say neither Mr B nor Miss M conduct anything to do with banking online. This is because a family member had a bad experience losing money online. Mr B says he told HSBC it needed to make alternative arrangements. And I see that ultimately HSBC was able to carry out the review over the phone.

"I acknowledge that it wouldn't be reasonable to make M complete this process online if none of the partners could use the internet. But I do not accept that it wasn't possible for M to complete HSBC's process online. I'm satisfied that M did, in fact, carry out aspects of its business online. Mr B has sent us emails between M and its landlord. Mr B has also sent us emails between M and its payment card processor. Finally, it appears that M had a webpage on social media. Based on what I've seen, it doesn't appear M couldn't use the internet. Instead it appears M just chose not to.

"The letters from HSBC said that M's account might be closed if it didn't complete the review. The terms and conditions of M's account required M to respond to HSBC's reasonable requests for information. As Mr B in fact had an email address, I can't say his failure to complete the review was reasonable. HSBC gave M a number of opportunities to provide this information, and even extended the deadline for a response. I appreciate M is unhappy that, ultimately, HSBC was able to complete the review quickly over the phone. But M could also have completed the review quickly online.

"For these reasons, I don't agree that HSBC acted unreasonably by requiring M to complete the process online. I've seen nothing to suggest M couldn't do this. As M didn't complete the review, I'm satisfied HSBC acted in line with both its legal and

regulatory obligations and the terms and conditions of the account when it decided to close M's account. As such, I'm not going to tell HSBC to pay M compensation for the financial losses M says the account closure caused to its business. It wouldn't be fair to make HSBC pay M for losses that M could reasonably have avoided. Here, all M needed to do was complete an online form. I appreciate Mr B has strong objections to conducting his banking online. But given the very serious consequences of not doing so, M's partners ought reasonably to have reconsidered. I don't accept it was reasonable for him to allow his business to lose its banking facilities, with all the consequences that followed, rather than completing the review online.

"I've considered whether HSBC treated M unfairly in any other way. HSBC agrees some of its communications could have been clearer. And I note that HSBC has now successfully completed the review over the phone – and, following our involvement, is willing to reinstate the account. HSBC offered to pay M £100 to reflect the trouble and upset this caused; our investigator recommended HSBC pay M more.

"Now HSBC has agreed to reopen the account his will allow M to pay in any outstanding cheques and regain access to the funds that were in the account. I appreciate Mr B is now worried that some of the businesses that paid those cheques may no longer be in business. Mr B is also unhappy that M hasn't had access to funds made payable to M or jointly to Miss M and Mr B. But that's not something I could hold HSBC responsible for. And while I accept that M may not have been easily able to open a new business account at the time HSBC closed the account in December 2020, I've seen no reason why M hasn't been able to apply for an alternative account – or one in the joint names of the partners – during the period since then.

"I agree that some of HSBC's communications could have been clearer. I note that HSBC told Mr B, after the account had closed, that it had successfully completed the review, when it hadn't. It also asked Mr B to complete a pack to set up telephone banking after the account had already closed. Mr B also had to spend a long time on the phone trying to sort things out. But I've concluded HSBC didn't act unreasonably in closing the account, and in any event much of the impact of this appears to have been caused by the failure of M to take reasonable steps to mitigate its losses. HSBC has already paid M £100 to reflect the trouble and upset it caused. Given what I've said above, and given that HSBC has now reopened the account, I think this will be a fair outcome to M's complaint."

I said I'd consider any further points M or HSBC made by 6 March.

HSBC hasn't sent me anything further to consider.

M doesn't agree. In summary it says:

- Though it accepts that HSBC needs to keep information up to date, the terms and conditions of the account do not state that information has to be supplied online;
- It doesn't accept that it makes a difference whether the partners couldn't use the internet rather than refusing to do so;
- Although the business did use email to communicate with its landlord and payment card processor, it is free to choose who it does business over the internet with;
- HSBC has subsequently allowed them to complete the review over the phone.
- It never received the offer of £100 from HSBC.

I've therefore reviewed the complaint afresh.

### **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 carefully considered the points M has raised in response to my provisional decision. But they don't change my conclusion. I'll explain why.

Essentially, M wants HSBC to compensate it for the failure of its business. But for the reasons I've explained in my provisional decision, I think much of what happened stemmed from M's refusal to complete the review online. It wouldn't be fair to tell HSBC to compensate M for losses it unreasonably failed to avoid. Crucially, here it seems that despite using email for other aspects of its business, and having a page on social media, M wouldn't carry out the review online even though HSBC's correspondence made clear that the consequences of not doing so could include the closure of the account. I don't accept M couldn't have done more to find another bank account after HSBC closed the account: whatever difficulties M may have had in December 2020, I don't accept that M couldn't have found alternative banking in the years since then.

Turning to M's specific comments: I accept that the terms and conditions didn't expressly require M to provide information online. I don't accept, though, that this meant it was reasonable not to have done so, given what I've already said above. For similar reasons, M's reasons for not completing the review are plainly relevant to whether HSBC treated M fairly. Ultimately, M could have avoided all of this had it taken minimal steps to avoid it. HSBC has now agreed to reopen M's account. And I accept that some of the information HSBC gave M could have been clearer. Given everything that happened and what M has told us, I think £100 fairly compensates M for any inconvenience this caused. I'm not going to tell HSBC to do more.

### **My final decision**

For the reasons above I uphold M's complaint. HSBC says its reopened M's account. HSBC should also pay M £100 for the trouble and upset it caused if it hasn't already. I make no further award.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 12 April 2023.

Rebecca Hardman

**Ombudsman**