

The complaint

E complains that HSBC UK Bank Plc (“HSBC”) closed its business and foreign currency accounts and converted its funds from Euro into Sterling, causing it loss.

E is a business and is represented in this complaint by Mr L. For ease of reading throughout this decision, I’ll refer to all submissions as having been made by Mr L.

What happened

E held a business current account and a Foreign Currency Account (referred to as the FGN) with HSBC. The funds in the FGN were held in Euro. In February 2019, HSBC closed the current account and sent E a cheque for the closing balance. It later re-opened the account and transferred the funds from the FGN into it, having converted them into Sterling. At that point, the FGN was closed.

Mr L says he wasn’t told this would happen and that E has lost out financially as a result. He says the change in currency resulted in a loss to E. And he says that HSBC applied charges to the business account after it was re-opened without his knowledge.

HSBC says it wrote to E before closing the accounts and didn’t hear back. It says it couldn’t close the FGN in February 2019 because E hadn’t provided details of an alternative account where the funds could be transferred. It says it wrote to Mr L in February 2020 but didn’t hear from him. It re-opened E’s current account so that the funds from the FGN could be transferred into it. This transfer happened on 16 September 2020. The amount which credited the current account that day was £149,170.34.

In late November 2020, HSBC sent Mr L a cheque for the balance of funds held in the business account, less charges. But Mr L wanted the funds in Euro and didn’t cash the cheque. He gave HSBC details of a Euro account in early December 2020 and HSBC transferred the funds on or around 11 December 2020. The amount transferred was £101,090.61.

Mr L wasn’t happy about the situation and asked this service to look into it. Our Investigator didn’t think HSBC had acted fairly. She asked it to refund the charges which had been applied to the re-opened current account. She also thought that HSBC should pay E the difference between the amount it would have received in Euro in September 2020 and the amount in Euro that E actually received in December 2020.

But HSBC said that, after 16 September 2020, Mr L withdrew nearly £50,000 from the current account. It didn’t think it should have to pay the difference between the September balance and what was paid to E in December 2020, as that would include the £50,000 which Mr L himself had withdrawn.

I issued a provisional decision on 2 February 2022. Mr L accepted my findings for the most part. But he didn’t think the compensation of £100 which I’d recommended was enough. He said he thought the time he’d spent dealing with the situation needed to be accounted for. He estimated this to be five days in total and said this was equivalent to £2,500 based on his

daily rate. He also said that the lack of communication from HSBC had added to the distress of the situation. I gave HSBC the opportunity to respond to Mr L's comments. But HSBC hasn't commented on those, nor on the provisional 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've thought about Mr L's comments and I'm sorry to disappoint him. But I haven't changed my mind about the appropriate outcome here. My reasons are set out below.

As I explained in my provisional decision, I think HSBC acted reasonably when it closed E's current account in February 2019. That's because it had asked E to comply with a mandatory review and didn't hear from E despite writing more than once. HSBC told E that it would close the account if it didn't hear back, and E didn't respond.

Mr L says he didn't receive the letters. I don't doubt what he says. But I'm satisfied that the letters were sent to the correct address. Mr L received the cheque which was sent to that address in February 2019. So I can't safely conclude that it's HSBC's fault if he didn't receive the other letters.

Turning to the FGN, I haven't seen the terms and conditions of that account, so I can't say whether HSBC acted in line with its contractual obligations when closing it or converting the funds to Sterling.

HSBC's letter of November 2018 about closure of the current account included the following paragraph:

"If you have any Foreign Currency account(s) please phone your relationship manager at least 2 weeks before your accounts close to tell us what you wish to do with any credit balances. For example, please tell us if you want us to transfer any credit balances to a new bank or if you want us to carry out a conversion to sterling and send you a cheque."

But Mr L says he didn't receive this letter. He received the one in February 2019 enclosing the cheque, but that didn't mention the FGN. I think this was a missed opportunity for HSBC to explain that it planned to close the FGN and ask Mr L where to send the funds.

There was some contact between Mr L and HSBC in March 2019 about the closure of the current account. This led to the account being locked when Mr L failed security. I haven't seen anything to suggest that HSBC made any contact with Mr L after that until 2020.

HSBC says it wrote to E in late February 2020 asking for details of where to send the funds from the FGN. HSBC no longer has a copy of the letter but says it had to contact E by letter rather than telephone because of the security lock on the account. It's not clear to me if the letter was about the funds in the FGN or simply about account security.

In any event, nothing happened after this until September 2020 when HSBC re-opened the current account. It then converted the funds in the FGN and transferred them to the current account, closing the FGN afterwards. It was shortly after this that Mr L called HSBC, after a client had problems making a payment to E's account. Nothing was discussed in any detail at that point because of the security issues on the account. So it wasn't until October 2020 that Mr L discussed the closure of the FGN with HSBC. He wasn't happy that the funds had been converted and wanted the money in Euro.

Looking at this chain of events, I don't think HSBC did enough here to make Mr L aware that the FGN was going to be closed and that he needed to provide alternative bank details. I'm not satisfied that HSBC took any steps in relation to the FGN (at least, nothing of which Mr L could have been aware) until around 19 months after the current account was closed. I haven't seen anything to suggest that it told Mr L that it was going to close the FGN at that point or that it was going to convert the funds to Sterling and move them to the re-opened current account. I don't think that was reasonable.

Once Mr L was aware of what had happened, he opened a Euro account elsewhere so that the funds could be paid into it. I think this suggests that he would have done that earlier if he'd known he needed to. But he didn't know until September or October 2020 because he says he didn't receive the letter in November 2018, and I can't see that HSBC wrote to him about it at all after that.

In these circumstances, I don't think it was reasonable for HSBC to convert the funds into Sterling and I think it should reimburse E for any loss it suffered as a result of the currency conversions (both when it changed the Euro into Sterling in September 2020 and when it changed the Sterling back into Euro in December 2020).

I think HSBC needs to put E in the position it would have been in if no currency conversions had taken place. The funds in the FGN were in Euro. But for HSBC's mistakes, the funds could have been transferred straight from there to E's new Euro account. So there would have been no loss to E. HSBC should calculate the loss suffered by E upon each currency conversion ("the Losses"). It should then reimburse E for the Losses together with interest on each Loss from the day of the relevant currency conversion until reimbursement.

I also think that HSBC should refund the charges it applied to the current account after it was re-opened. The account was re-opened by HSBC of its own accord, without E's knowledge. So I don't think it was fair for HSBC to apply charges.

Turning to the amount of time Mr L says he's spent dealing with this, I do understand his frustration and I can understand that the lack of communication from HSBC has added to this. We don't make specific awards for someone's time, or calculate it using a set amount such as an hourly or daily rate. But we can take account of the inconvenience someone experiences and the impact that spending time on the complaint has.

When I made my provisional decision, I gave careful thought to what Mr L had said about this. But, as I explained, the complainant here is E, not Mr L. A business can't experience suffering or distress. But a person who is a director and/or owner of a business can. I'm satisfied that, in his capacity as director of the business, Mr L experienced distress and inconvenience. But I don't think all of that was the fault of HSBC. For example, time spent searching for and setting up new accounts would have had to be spent anyway, even if HSBC had handled the account closures differently.

It's very difficult to put a monetary value on the stress and inconvenience caused by a situation like this. Our awards aren't intended to punish a business but to try to reflect the impact of the situation. HSBC has already paid compensation of £100 for the issues over the account security. I think a further payment is warranted to reflect the impact of the situation with the FGN. But, looking at everything again, and balancing the evidence of the parties, I still think a further £100 is a fair amount. I realise Mr L thinks HSBC should pay much more and I'm sorry to disappoint him. But I don't think a higher amount is justified here.

My final decision

For the reasons above, I uphold this complaint. HSBC UK Bank Plc should:

- calculate the loss suffered by E upon each currency conversion (“the Losses”);
- reimburse E for the Losses together with simple interest on each Loss at 8% a year from the day of the relevant currency conversion until reimbursement;
- refund all charges applied to the current account after it was re-opened; and
- pay further compensation of £100 to Mr L as a director of E.

Under the rules of the Financial Ombudsman Service, I’m required to ask E to accept or reject my decision before 12 April 2022.

Katy Kidd
Ombudsman