

The complaint

Mr and Mrs D complain HSBC UK Bank Plc (“HSBC”) blocked and closed their joint account, causing them substantive distress, inconvenience, and financial loss.

What happened

HSBC carried out a review of Mr and Mrs D’s account in August 2020. In doing so, they contacted Mr D by phone, email, and written correspondence to contact its Safeguard team. Mr and Mrs D’s account was blocked during this time.

Later, in September 2020, Mr and Mrs D’s account was closed by HSBC. Any remaining funds were sent to a third-party bank account as nominated by Mr and Mrs D.

In summary, Mr and Mrs D want HSBC to pay around £22,000 as compensation for:

- The time it took to rearrange their direct debits during the pandemic. Mr D says it took substantial effort and time to do this and he should be compensated in line with his hourly earning rate
- The distress this has caused them, especially as they were in the process of buying a house
- The loss of account benefits for Mrs D

During this time, Mr D was wrongfully told his pension payment had been paid into his new account. HSBC looked into this and said it had previously misinformed them, and the money had been sent back to the pension provider.

Unhappy with HSBC’s actions, Mr and Mrs D complained. In short HSBC explained that:

- it had closed the account as it was complying with UK sanctions policy
- it had not communicated the closure of the account to them as they were already aware of its decision to do so
- It was sorry for any inconvenience caused by its system and processes when it paid some direct debits but not all of them

HSBC offered, in total, around £80 as compensation to Mr and Mrs D and a refund of an account fee of around £10. Mr and Mrs D did not accept this. The complaint was referred to our service. One of our Investigator’s looked into Mr and Mrs D’s complaint, in short, they found:

- HSBC reviewed Mr and Mrs D’s account in line with its obligations and terms of account. And HSBC isn’t obliged to provide any explanation why it did so
- HSBC’s review was carried out promptly

- HSBC did give Mr and Mrs D some indication of its reasoning and it did provide notice of closure
- As HSBC acted fairly, they didn't recommend it should pay any compensation for any loss Mrs D may incur because of losing any account benefits
- HSBC did not clearly communicate what was happening with Mr and Mrs D's direct debits, with some being paid and others not. This led to them incurring some fees from the payee companies. Sorting this out caused distress, inconvenience and loss to Mr and Mrs D. So HSBC should pay compensation of £250 for the impact its errors caused
- HSBC caused error and provided poor communication in relation to Mr D's pension payment. This caused further stress and led to Mr D chasing for updates on the issue. Because of this HSBC should pay a further £100 in compensation

HSBC agreed with what our Investigator said. Mr and Mrs D did not, and in summary they made the following points:

- Their complaint is about HSBC's incompetence whilst closing the account, not the decision to do so
- HSBC did not provide them with a list of standing orders and direct debits which resulted in missed and duplicate payments
- The Investigator has failed to properly consider the time they have spent in fixing these problems and has ignored the stress this caused them

This complaint has now been passed to me to decide.

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 decided to uphold this complaint in part. I'll explain why.

I note Mr and Mrs D say their complaint isn't about HSBC's decision to review and close their account. But it's this activity which has led to the serious of events for which they have clarified they are complaining about. So if HSBC did something wrong here, it would have a direct consequence on any other findings I make about any ancillary events.

So, because of this, it's something I will consider in my decision.

Banks in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

From the information I've been given, I'm satisfied HSBC acted fairly when deciding to review Mr and Mrs D's account. I'm aware of no obligation under which HSBC must disclose its reasons for doing so. Having said that, HSBC have told Mr and Mrs D it was carrying out a review in line with its obligations under UK sanctions policy. I'm satisfied, from what I've seen, that HSBC was acting in line with legal and regulatory obligations it must follow.

A bank is entitled to close an account just as a customer may close an account with a bank. But before a bank closes an account, it must do so in a way, which complies with the terms and conditions of the account.

Having looked at HSBC's reasons for closing the account, which includes Mr D not making meaningful contact with it to go through a review with one of its specialist departments, I'm satisfied it's acted in line with the terms of the account. And that it's acted both reasonably and fairly in doing so. In reaching this finding, I've considered what Mr D has said about a similar review taking place for his business account and that he was away on holiday.

I note Mr and Mrs D complain they weren't given notice of the account closing. But having looked at HSBC's contact notes with Mrs D, I'm satisfied this was explained.

This now brings me onto what Mr and Mrs D see as the crux of the complaint. That is, that HSBC's failings caused them to suffer distress, inconvenience, and financial loss. I've already said HSBC acted fairly in reviewing and closing the account. So that means it hasn't done anything wrong here.

Typically, when a bank decides to restrict and close an account this will have a negative impact on its customers. Having said that, I'm satisfied HSBC's communication and actions in relation to any direct debits wasn't as clear as it should have been. It honoured some and not others without clear communication, this in of itself would have caused confusion.

The fact Mr and Mrs D had to change their direct debits manually is a result of HSBC deciding to restrict and close the account, so it's something they would have had to have done in any case. But the extent to which they needed to spend time and suffer any distress could've have been limited if HSBC had been more effective in how it communicated this.

So, because of this, I'm persuaded HSBC should compensate Mr and Mrs D for the distress and inconvenience it caused through its poor handling of the matter. It's difficult to say what a fair amount is given a large proportion of the actions Mr and Mrs D had to take would have existed without the poor communication. But having given this some thought, I'm satisfied £250 is fair compensation.

It's not in dispute that HSBC made errors when telling Mr D it had sent his pension payment to his nominated bank account. HSBC accept it got this wrong. Mr D did get his money, albeit through speaking to his pension provider to remit it again to another bank account. I note this was reconciled in a reasonably short time. So I think £100 is fair compensation for any distress and inconvenience caused.

I note there is a significant disparity in what Mr and Mrs D see as fair compensation to that which I'm awarding here. But my decision takes into account how long it appears the whole matter took to resolve, and the impact this had upon them. And this, as I've said, has been mitigated against HSBC's root action of deciding to restrict and close the account being a fair and reasonable one.

My final decision

For the reasons I've explained above, I've decided to uphold the complaint in part. I now direct HSBC UK Bank Plc to pay Mr and Mrs D £350 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs D and Mr D to accept or reject my decision before 22 August 2022.

Ketan Nagla
Ombudsman