

The complaint

Mr S, a sole trader, complains HSBC UK Bank Plc (“HSBC”) placed his business account under review and blocked it. Mr S says this caused him to default on payments to other companies, and his business to fold.

What happened

HSBC applied a block on Mr S’ account in January 2020 after initiating a ‘Safeguard’ review. Shortly after, HSBC’s Safeguard department sent a letter to Mr S asking him to confirm his trading address.

HSBC say it didn’t get any response. Mr S says he did try and contact HSBC in April 2020 but couldn’t get through on the phone. In July 2020, HSBC’s Safeguard team wrote to Mr S again asking for him to contact it as it required details about the business.

In early August 2020, Mr S complained to HSBC about the Direct Debits on the account not being permitted since the account was under review and blocked. In response, HSBC said Direct Debits are not permitted when an account is inhibited. HSBC say it still had not received the form it sent to Mr S in January 2020 relating to its ‘Safeguard’ review.

A little while later, Mr S sent HSBC the form.

In late September 2020, HSBC sent a letter to Mr S saying the Safeguard review was now complete. Mr S complained again to HSBC about the affect the failed Direct Debits had had on him, the account being in overdraft, and one of the company’s it had defaulted with refusing to carry out business with him. Mr S says this prevented him from carrying out his business online - causing the business to fold.

A few days later, Mr S applied for a Bounce Back Loan (“BBL”) with HSBC – a measure implemented by the Government to support business’ during the pandemic.

In November 2020, HSBC carried out a dormancy review on Mr S’ account. But this was lifted a few days later. Around this time, Mr S referred his complaint to this service. To put things right, Mr S says HSBC should pay over £800,000 with 8% interest for lost revenue and for rent paid on his business’ offices.

In December 2020, HSBC sent another Safeguard review letter to Mr S asking for him to make contact. Less than a week later, HSBC wrote to Mr S explaining it was closing his account with immediate effect – and in separate correspondence it said the BBL was declined.

In January 2021, HSBC wrote to Mr S saying it needed to get in touch about its Safeguard review. HSBC also sent letters to Mr S about having to pay the remaining overdraft and what it could do if he was facing financial difficulty.

HSBC sent further correspondence in late January 2021 asking Mr S to contact it in relation to the Safeguard review. The Safeguard team got in touch again with Mr S in February 2021,

saying it would close the account if it didn't hear from S.

Mr S' account was closed by HSBC in May 2021.

One of our Investigator's then looked into Mr S' complaint. In summary, they found:

- As a regulated financial firm, HSBC has legal obligations it must follow. This means it may need to carry out reviews of its customer's accounts
- Mr S didn't reply to HSBC's request for information when the account was placed under review and blocked. There's nothing to show Mr S replied, nor does he dispute to receiving the letter
- Mr S says he was unable to contact HSBC over the phone. But that was in August 2020, several months after the block had been applied, when he sent a handwritten letter to HSBC
- There are other methods of communication to the phone, so Mr S could have attempted to contact HSBC in other ways. So HSBC's application of the block between January 2020 and September 2020 wasn't unfair. HSBC required information to satisfy its obligations, and this wasn't provided by Mr S
- HSBC decided to close Mr S' account with immediate effect after the BBL was declined. Given the terms of the account, and HSBC's reasons, it acted fairly and didn't do anything wrong when deciding to close the account in the way it did
- HSBC hasn't explained why its Safeguard team later sent letters to Mr S about getting in touch about an account review given it had already said it was closing the account. This would have been confusing for Mr S. So HSBC should pay Mr S £150 for any trouble and upset this caused

HSBC accepted what our Investigator said. Mr S remains unhappy. Some of the key points he makes in response are:

- He did try and contact HSBC around April 2020 to fill out the paperwork, but it was ignored due to staff shortages caused by the lockdown. HSBC hasn't given all the relevant information to this service
- Mr S doesn't have any other paperwork to show he sent the information HSBC's Safeguard review team requested
- There were exceptional and sensitive reasons, which Mr S has shared with this service, to explain why he had not responded to HSBC's review for the first few months. This reason prevented him from responding

Our Investigator said, after consideration, these points did not change their view on Mr S' complaint. As Mr S remains unhappy, the 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 that, I've decided to part uphold Mr S' complaint. I'll explain why.

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

Given the obligations HSBC must meet, I'm satisfied it did nothing wrong when deciding to review – and then block Mr S' account whilst carrying this out.

What I must now ask myself is whether HSBC's review and block were delayed due to any error or fault on its part. Mr S has more recently told us why he wasn't able to get in touch with HSBC any sooner than he did. I'm satisfied, Mr S was likely prevented in the way he says – he's given some information to evidence this. Having said that, Mr S' information doesn't show how long he was prevented nor any specific dates. But, I'll accept, at face value, the reason given would have substantially impaired his ability to get in touch sooner.

But this doesn't mean HSBC has caused avoidable delay. HSBC required this information in line with its legal and regulatory obligations. So Mr S' inability to provide it sooner is unfortunate, but it doesn't mean HSBC did anything wrong by asking for it and blocking the account until it was satisfied the review was complete.

This brings me onto the Direct Debits not being made and the impact Mr S says this has had. Having given this careful thought, I don't think HSBC acted unfairly or unreasonably when stopping any payments in this way. It needed information to meet its legal and regulatory obligations, and until it had done this it decided to stop any account activity.

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.

The terms and conditions of the account, which HSBC and Mr S had to comply with, say it could close the account by giving at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

Having looked at the information given to me by HSBC, I'm satisfied it was entitled to close the account in the way it has done following its decision to decline the BBL. As I said above, HSBC had written to Mr S to explain its actions. I am aware of no obligation why either HSBC or I should disclose the reasons for this.

Mr S says this matter has caused him financial loss. But having looked at what's happened in this particular case, I can see no basis on which I might tell HSBC to compensate him for any financial loss given I don't think it failed to properly follow its own procedures when it blocked and later closed Mr S' account. This includes its decision not to pay any standing Direct Debit payments.

I do however think HSBC created confusion through likely errors on its part which would have caused Mr S some trouble and upset. I say that because, firstly it told Mr S there was dormancy review on his account shortly after the review was completed. Secondly, HSBC told Mr S it was closing his account immediately following the declination of the BBL, only for its Safeguard team to say it had started another review. This is grossly inconsistent. HSBC says its Safeguard team operates independently – but that doesn't mean it shouldn't be aware the account is being closed. Ultimately, HSBC is a single entity and that's how Mr S would have perceived it with regard to this matter.

This would have likely caused Mr S some trouble and upset. Because of that HSBC should pay him £150 compensation.

My final decision

For the reasons above, I've decided to uphold this complaint in part. I now direct HSBC UK Bank Plc to pay Mr S £150 in compensation.

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

Ketan Nagla
Ombudsman