

The complaint

Mr G complains that HSBC UK Bank Plc restricted his account and withheld his funds. He'd like his funds released and compensation for the impact on him.

What happened

Mr G had an account with HSBC.

On 14 May 2021 HSBC put a block on Mr G's account after a credit from a third party I'll call H.

HSBC asked Mr G for evidence of the credit, and on 18 May 2021 Mr G supplied his documentation. But, the bank wasn't satisfied with the evidence supplied by Mr G. So held on to his funds and kept his account restricted.

Mr G complained to HSBC about the withholding of his funds. He explained that it was causing him significant hardship, he needed the funds to pay for a new property and it was causing him stress.

HSBC reviewed Mr G's complaint – but didn't uphold it. They explained they'd acted fairly in restricting his account and withholding his funds.

Mr G wasn't satisfied with their response so complained to our service.

One of our investigator's looked into his complaint. HSBC explained they'd made an offer of £50 compensation. But our investigator didn't think this was fair, and they thought HSBC should do more. They thought HSBC had sufficient evidence to show Mr G's funds should have been released to him by 15 August 2021. And they should pay 8% from 15 August 2021 to the date of release. Our investigator also thought the service provided to Mr G by HSBC during the account restriction wasn't what they'd expect. So, they should also pay him £300 compensation.

Mr G accepted our investigator's outcome, but HSBC didn't confirm their position. However, on 26 July 2022 HSBC issued a cheque to Mr G providing him the balance of his account. But the bank didn't accept the other directions in our investigator's view.

As HSBC haven't accepted it's 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.

I've firstly considered HSBC's actions in blocking Mr G's account. HSBC's terms are clear in detailing their ability to review accounts and suspend them when necessary – and I think they initially followed these terms and conditions fairly. However, although I agree HSBC were entitled to review Mr G's account I need to think about whether the review was completed as quickly as I'd expect.

HSBC blocked Mr G's account on 14 May 2021, and he provided evidence on 18 May 2021. But, HSBC didn't contact H until 1 July 2021. And after this they failed to chase up the third party to establish whether Mr G was entitled to his funds. This led to Mr G's funds not being released to him until July 2022. I think that HSBC could have completed Mr G's review *much* more quickly. I say this because I'd have expected them to have contacted H soon after receiving the evidence on 18 May 2021 – and not wait until 1 July 2021. And I don't think it's reasonable for HSBC to fail to ask H for updates once the information was provided.

I'm satisfied, as our investigator argued, that HSBC should have completed the review of Mr G's account within two months, and therefore Mr G's funds should have been provided to him by 15 August 2021. I also think the length of time Mr G's funds were withheld beyond 15 August 2021 caused Mr G significant inconvenience and anxiety – including substantial worry about whether his funds would be returned to him.

I've moved on to consider the communication HSBC had with Mr G during the account review – and whether they were clear in explaining to Mr G what they expected from him and the impact on his account activity. And I'm afraid I think HSBC could have been much clearer in their communication with Mr G.

I've firstly considered HSBC's inconsistency in the advice they gave Mr G about whether his direct debits would be processed. HSBC have explained that Mr G's direct debits were blocked from 14 May 2021 onwards – and they made this clear in a letter to Mr G on 2 June 2021. But, prior to this letter they told Mr G on more than one occasion, over the phone, that his direct debits would successfully be processed. I appreciate that Mr G had several conversations with different customer service agents at HSBC, which understandably led to some inconsistencies in information provided. But, whether his direct debits will be paid was something very important to Mr G – and it's something I'd expect HSBC to get right. Although the failure of the direct debits to go through didn't cause Mr G direct financial loss, he was caused inconvenience and stress from being required to make new arrangements to pay them in a short timeframe. And this could have been avoided if HSBC notified Mr G sooner that his direct debits wouldn't successfully go through.

I've also thought about whether HSBC were clear in asking Mr G what evidence he needed to supply, and whether he'd provided everything that was required. HSBC accept that Mr G provided the documents requested to a local branch on 18 May 2021. I've listened to a phone call Mr G had with HSBC on 2 June 2021 during which they advised Mr G he needed to attend a branch and provide further documents. However, this wasn't in fact the case. And Mr G had already supplied everything they needed. I'm satisfied this caused Mr G further anxiety, in being concerned that the documents hadn't been reviewed appropriately.

Putting things right

For the reasons I've outlined above I think HSBC should have reviewed Mr G's account more quickly, and by the 15 August 2021 at the latest. I therefore think they should pay Mr G 8% on the funds restricted from 15 August 2021 to when they were returned on 26 July 2022.

I'm satisfied that the bank caused Mr G anxiety and inconvenience in holding on to the funds after 15 August 2021. And they caused additional inconvenience through poor communication, including asking Mr G to provide documents he'd already given to them and giving inconsistent advice on the status of his direct debits. I'll be directing HSBC to compensate Mr G £300 for the impact caused to him.

My final decision

My final decision is I direct HSBC UK Bank Plc to:

- Pay Mr G 8% on the £6,441.65 from 15 August 2021 to 26 July 2022
- Pay Mr G £300 compensation

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 9 October 2022.

Jeff Burch
Ombudsman