

## **The complaint**

P, a limited company, complains that HSBC UK Bank Plc set up its account incorrectly and now insists that it opens a new account.

## **What happened**

P opened an account with HSBC in 2008. It says it went through a safeguard exercise to confirm the details of its business which concluded in 2021. Later that year it completed a mandate to change the account signatories. It was then told that the account had been wrongly established as a 'sole trader' and was also a community account. P doesn't want to have to open another account especially as it receives multiple payments.

HSBC said that it was unable to investigate what happened when the account was opened. And that it couldn't locate an error on its side. When the complaint was referred to this service it offered to pay P £350 for the inconvenience involved.

Our investigator recommended that HSBC pay P £500. He said that it was clear that the account had been set up incorrectly. The mandate that was completed in April 2008 was for a limited company and the position of the officials who were signatories was given as Director or Director/Secretary. The details provided from HSBC show that the account had a 'sole trader' marker but also that other parts of the profile are consistent with it being for a limited company. The trading name of the account is given as the company name, and the company name as the trading name. So, this is the wrong way round. He said that HSBC should have identified this at the time that the account was opened. And it also missed an opportunity to correct this during the safeguard review although the impact for P of discovering that then wouldn't have been any different.

HSBC has said that details such as the entity type can't be changed after the account has been opened. So, it isn't possible to do that and for P to keep the same account number/sort code as it wants. It will be inconvenient for P to have to open a new account and arrange for its clients to pay money to that, with the risk that money may be initially paid to the wrong account. So, he thought that higher commission was warranted.

HSBC said it accepted the recommendation.

P said it didn't and wanted an ombudsman to review the case. The issue here wasn't about monetary compensation but the '*intransigence*' of HSBC. As HSBC has made the mistake it should leave things in the way that they currently are. It is too much work for P to have to make all the changes.

## **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 agree with our investigator that HSBC has made a mistake here. P was incorporated early in 2008. HSBC was clearly made aware it had directors. Although I can't resolve exactly how

this happened it does seem that as the trading name included the word 'trust' this led to a community account type being established too. I would have expected HSBC to view documentation about the set up of P and for this discrepancy to have been identified at account opening.

Although little consolation HSBC has pointed out that over the years the account has been open any fees for this community account were lower than those that would be charged for a company account. It also says that P had the opportunity to recognise this issue as the name on statements only referred to the trading name and its accountant also could have spotted this. I have to say I think that's a little unreasonable when HSBC failed to recognise this even during a safeguard exercise a number of years later. And the director of P has also shown that the payee name P is a match on the account for 'confirmation of payee' when setting up payments and again this is another reason this didn't come to light any sooner.

Unfortunately, the position of HSBC is that *"...even with an Ombudsman's ruling we're simply unable to switch the account entity/type – it's in place as a Sole Trader not a Limited Company"*.

I hope P understands that it would be pointless for me to require HSBC to do something it has clearly told me it can't do. That wouldn't assist P at all. And as much as I might otherwise like to be able to do so that won't here be my resolution for this complaint. I think it is necessary for this error to be rectified now in the way HSBC wants with a new account.

The only meaningful award I can make here is a monetary one. P hasn't asked for more compensation than recommended by our investigator. And while I accept that the director is personally frustrated about things, this is a complaint from P a separate legal entity and which can't suffer distress.

The inconvenience here will involve in particular opening a new account for P, moving existing regular payments and payment mandates over and telling all its clients where now to pay money and possibly following up misdirected payments. And I'm afraid that is going to fall to P to do: it's not something HSBC has said it can directly assist with.

Having taken into account our published guidelines about compensation and applied my own judgement I consider that the compensation now offered is reasonable. I know the director of P will remain disappointed by the outcome.

## **My final decision**

My decision is that I uphold this complaint and I require HSBC UK Bank Plc to pay P £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 12 September 2022.

Michael Crewe  
**Ombudsman**