

The complaint

R, a limited company, complains that HSBC UK Bank Plc blocked its account, and this led to financial loss.

What happened

R received a payment for £4,800 to its account on 31 May 2021. On 14 June 2021 its account was blocked based on information HSBC had received about this payment. On 5 July 2021 R provided an invoice and details of the services the payment related to. It contacted HSBC several times about its account. On 11 August 2021 the block on the account was removed. R says that as a result it lost business and had to borrow money and wants to be compensated.

HSBC said it hadn't made any mistake. At the time it issued a final response letter the block was still in place and it said that the information provided by R was under review. It had acted in line with its terms and conditions.

Our investigator recommended that R be paid £300 for inconvenience. She had asked it to show any financial loss, but it hadn't done so. The director had provided information in the form of his bank statements and credit card borrowing. There had been transfers from R in the past to what seemed to be a savings account. And she thought it had access to these funds and HSBC wasn't responsible if it had decided to take out borrowing. She noted the delay in this being investigated and the number of calls the director had made about this. The block had been in place for nearly two months and clearly caused inconvenience. Although it wasn't unfair for HSBC to place the inhibit on the account the length of time involved did seem long even taking into account the potential impact of the pandemic.

HSBC said it agreed to pay the compensation.

R didn't agree and provided complete copies of bank statements. It said that money transferred from R in the past had been invested. The director had marked the borrowing from friends and family. He said that this amounted to £20,620 and then there was a further £10,850 on credit card.

My provisional decision

I issued a provisional decision on 4 July 2022. I set out below what I said.

I wanted to explain how I had assessed the evidence that R has provided and my thoughts about compensation. And to allow any comments about that.

HSBC needed to take any concerns about a payment seriously and investigate these. A typical and proportionate response would be to inhibit R's account. And in doing so I didn't think it acted outside its terms and conditions. However, inhibiting the account was a serious step and I wouldn't expect that to continue for any more than necessary to address potential risks. It received from R what seems to be cogent and accepted evidence of the legitimacy of the payment. And it didn't identify any other concerns that this service has been made

aware of.

The account of R was inhibited from 14 June to 11 August 2021. HSBC didn't ask R for information until 5 July 2021 and R provided it straightaway. I'd seen HSBC's file note about this dated that day. I was unclear what further checks it needed to make. And it hasn't provided any documentary evidence of those. R had called about the account on a number of occasions and didn't seem to be asked for any more information. I inferred that the delay here was largely down to HSBC's processing times. When it did look at things after a call from the director on 9 August 2021 the matter was then quickly resolved.

Assessing compensation

It's up to R to substantiate and explain its claim for financial loss. I'd looked at the bank statements provided by R. These relate to current and savings accounts at a different financial business in the name of the director of R. I immediately needed to highlight that for the purpose of this complaint the complainant is R, a separate legal entity, and it and the director aren't interchangeable. And just because he may have borrowed money doesn't automatically mean that this arose from any loss at R.

There were a significant number of transfers to and from his accounts and that of R at HSBC in the past. I understood from the information provided that some of this money was used to deal in investments for R.

In order to assess whether there was a financial loss that HSBC can reasonably be responsible for I needed to consider things in stages.

R would need to show that as a result it had to turn clients and business away and so lost income and that this couldn't be mitigated. I'd not seen any evidence of that. I also noted that when it applied for a recovery loan from HSBC on 5 August 2021 it stated that *"We have had less business than usual and loads of refunds because people from the [anonymised type of company] have not been working so we couldn't get results!"*

I'd also noted above that funds for investment seemed to go through the director's accounts. He's highlighted on his statements what he says were loans. I'd need to be clear that these were taken for R and what these related to. If for example he'd used this for investments then I didn't see any loss. But if there were running costs for R I'd expect R to repay them. I was unclear what relevance his personal credit card borrowing had and again why this is a loss for R. Either R would be required to repay that, or it wouldn't. And I'd need to be thinking about any loss for R as I said and not borrowing for him personally.

The point here is that I'd not been shown that any expenses were on R's behalf during the period and also that it wouldn't have incurred these anyway.

I'd already said that HSBC was entitled to take the action it did. So, I wouldn't reasonably be able to consider any loss over the whole period the account was inhibited. Here I might have taken the view that this ought reasonably to have been resolved in a month or less. But in any case I didn't consider that there were financial losses.

I still needed to think about inconvenience to R. I took the view that R was caused unnecessary inconvenience by HSBC's actions. In the calls I'd listened to between R and HSBC there didn't seem to be any sense of pace in addressing this. And as I said based on what I'd seen the length of time involved wasn't reasonable for R. I'd looked at our published guidelines about compensation and applied my own judgement. I considered that the

appropriate amount to reflect this inconvenience for R here is £500. I appreciated that the director would remain disappointed by my conclusions.

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.

HSBC said it accepted my decision. R did not provide any further comments.

That being the case I see no reason to depart from the conclusions of my provisional decision.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 16 September 2022.

Michael Crewe
Ombudsman