

The complaint

Mr F complains that HSBC UK Bank Plc closed his account without giving him the required notice.

What happened

Mr F had a basic bank account with HSBC. On 19 October 2021, HSBC wrote to Mr F to tell him it was closing his account. The account closed soon after.

Mr F complained to HSBC about this. HSBC didn't uphold Mr F's complaint, so he referred it to us. One of our Investigators considered the complaint but agreed with HSBC that it shouldn't be upheld. Mr F didn't accept this. He said HSBC hadn't complied with the relevant regulations which required he be given 60 days' notice when closing a basic account.

Mr F asked for the complaint to be looked at by an Ombudsman. So, it was passed to me to consider.

I reviewed the complaint and issued a provisional decision on 9 August 2022. In this, I explained that I intended to uphold the complaint. I said:

'HSBC has referred to its terms and conditions saying this allows it to close Mr F's account without notice. I accept that the terms and conditions may allow for immediate closure in some instances. However, the terms and conditions of the account aren't the only factor here.

I've also considered the Payment Accounts Regulations 2015 (PAR). Part 4 of these regulations required certain institutes (HSBC being one) to provide what was referred to as a payment account with basic features. This is the type of account Mr F held with HSBC. The PAR say, in relation to a business closing a basic account, insofar as is relevant here:

"(2) A designated credit institution may only close a payment account with basic features where at least one of the following conditions is met -

- (a) the consumer has knowingly used, or attempted to use, the payment account for illegal purposes;*
- (b) there has been no transaction on the account for more than 24 consecutive months;*
- (c) the consumer provided incorrect information when applying for the account, and had the correct information been provided, the application would have been refused;*
- (d) the consumer is no longer legally resident in the European Union;*
- (e) the consumer has access to another payment account in the United Kingdom which*
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 - (i) allows the consumer to make use of the services listed in regulation 19(1); and*
 - (ii) was opened after the payment account with basic features;*

- (f) *the credit institution considers that the consumer's conduct in relation to the credit institution's staff amounts to the commission of an offence under -*
 - (i) *section 4, 4A or 5 of the Public Order Act 1986;*
 - (ii) *the Protection from Harassment Act 1997;*
 - (iii) *section 38 of the Criminal Justice and Licensing (Scotland) Act 2010 (threatening or abusive behaviour);*
 - (iv) *Article 9 of the Public Order (Northern Ireland) Order 1987 (use of words or behaviour or display of written material);*
 - (v) *the Protection from Harassment (Northern Ireland) Order 1997.*
- (3) *Subject to paragraph (4), where a designated credit institution terminates a framework contract for a payment account with basic features on one or more of the grounds mentioned in paragraph (2)(b), (d) or (e), the designated credit institution must inform the consumer of the grounds and the justification for termination -*
 - (a) *at least two months before the termination enters into force;*
 - (b) *in writing; and*
 - (c) *free of charge.*
- (4) *Paragraph (3) does not apply where disclosure to the customer of the grounds and justification for the termination would be unlawful.*
- (5) *Any termination in accordance with paragraph (2)(a), (c) or (f) is to have immediate effect.*
- (6) *Where a designated credit institution terminates a framework contract in accordance with paragraph 2(a), (c) or (f), the credit institution must inform the consumer of the grounds and justification for termination without delay except where it would be unlawful to do so."*

Based on this, I don't accept that HSBC was entitled to close Mr F's basic account for the reasons it's given.

HSBC has said that Mr F had access to another account offering basic features which allowed it to close the account. As evidence of this, it's shown us details of a transfer Mr F made to another account in his name. However, this transaction quoted was made on 29 October 2021. And HSBC notified Mr F of its intention to close his account before this on 19 October 2021. We've asked Mr F for details of this account, and he's provided evidence that he didn't apply for this until 19 October 2021, when HSBC told him it was suspending his account and closing it without notice. And it wasn't opened until 25 October. So, at the time HSBC told Mr F it was closing his account, I haven't seen anything to suggest he did have access to another account with basic facilities.

Whilst HSBC has told us it wasn't happy with Mr F's conduct on the account, I don't think this conduct meets the definition of any of the points above which allow immediate closure of the account under section two that I've quoted above. Furthermore, the regulations, in most circumstances, require HSBC to tell Mr F why it's closing his account. Having looked at the closure letter sent to him, there is no explanation given.

It's clear that the relationship between Mr F and HSBC has now broken down. And Mr F now has an account offering the features of a basic bank account. So, I'm not going to tell HSBC to reopen Mr F's account. However, I think that by closing Mr F's account when it wasn't entitled to do so under the PAR, and by not giving him the required notice or reason for its decision, it's caused Mr F distress and inconvenience. He's had to open a new

account with another provider on short notice. And for this I think compensation of £150 is fair and reasonable.'

Mr F said he accepted the decision but requested the HSBC account be reopened.

HSBC said it had looked back further through statements and found that Mr F had another account with another provider which it thought meant it was entitled to close Mr F's account immediately and without notice.

The complaint has now been passed back to me to review and make a final decision.

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 closed Mr F's account without, as far as I can see, any consideration of the PAR regulations set out above. It was only once the complaint was referred to our service that it said Mr F had another account which it thought allowed it to close Mr F's account immediately. However, as I explained in my provisional decision, Mr F didn't open that account until after HSBC told him it was going to close his account.

HSBC has now said it's found evidence that Mr F had another account it thinks offered the same facilities that the basic account offered which would've allowed it to close the account for the reasons set out in the PAR. Firstly, I'd point out that it seems HSBC is retrospectively finding reasons that it was allowed to have closed Mr F's account without notice. Whereas it should've satisfied itself that it was allowed to do this *before* telling Mr F it was going to close his account.

Mr F has provided evidence that the account HSBC has most recently referred to was in fact closed on 20 April 2021 – six months prior to HSBC deciding to close Mr F's account. So, at the time the account was closed, I'm satisfied Mr F didn't have access to another account offering the features of the basic account.

Based on this, and for the reasons given in my provisional decision (repeated above), I remain of the opinion that HSBC wasn't entitled to close Mr F's basic account without notice for the reasons it's given under the PAR.

I've thought about Mr F's request that I tell HSBC to reopen his account. But I'm not going to do so. It's clear that the relationship between him and HSBC has broken down. And now that Mr M does have another account with basic banking features, he's no longer eligible for the basic account.

I do still think that by not giving Mr F the required notice or reason for its decision, HSBC has caused Mr F distress and inconvenience. As I explained in my provisional decision, he had to open a new account with another provider on short notice. I'm satisfied that compensation of £150 is fair and reasonable for that.

Putting things right

I uphold this complaint and direct HSBC UK Bank Plc to pay Mr F £150 compensation. I make no further award and don't require HSBC to reopen Mr F's account.

My final decision

I uphold this complaint. HSBC UK Bank Plc must put things right as set out above.

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

Rob Deadman
Ombudsman