

The complaint

Mr M complains that HSBC UK Bank Plc (HSBC) closed his account and registered a default on his credit file.

What happened

Mr M had four personal accounts with HSBC – three savings accounts and a current account. On 16 November 2021, HSBC wrote to Mr M to say they had taken the decision to close his accounts – and sent Mr M a formal demand for the repayment of the overdraft balance of £605.32. This asked for repayment by 1 December 2021. On 8 December 2021, HSBC sent Mr M a cheque for £1,504.10 for the balance of the three savings accounts. The balance of the overdraft was repaid in June 2022.

Mr M complained. He said he hadn't received any notice of closure of the accounts, nor any reasons for HSBC's action. He said he had called HSBC to try to pay off the balance of the current account, but HSBC refused to accept the money. He had called HSBC several times to do so; and to find out why his account was to be closed. HSBC had registered a default on his credit file – which had affected his credit rating. He said the whole episode caused him a lot of worry and stress.

HSBC said they'd taken the decision to close Mr M's accounts after a periodic review. They sent Mr M a final demand letter on 16 November 2021. HSBC said they'd emailed Mr M on 19 March 2021 and 23 March 2021 to ask for information about his account, but he hadn't responded. They closed Mr M's accounts on 16 November 2021 in line with the terms and conditions of the account. The default had been correctly applied as part of the process of closure of the account. HSBC later gave Mr M information as to how to close the account – by visiting a branch with ID.

Mr M brought his complaint to us. Our investigator said HSBC hadn't dealt with Mr M's complaint reasonably. She said that HSBC could close an account if they wished and didn't have to give a reason for their decision. That was in the terms and conditions. It was HSBC's commercial decision to take. So – HSBC's decision to close Mr M's accounts couldn't be challenged.

But our investigation showed that HSBC hadn't asked Mr M for information in March 2021 as they'd said. And HSBC's letter of demand dated 16 November 2021 said they'd given two months' notice of closure – when they hadn't. The letter sent by HSBC on 1 April 2022 was a mistake. She agreed that Mr M had made several calls to HSBC to pay off the balance. She said HSBC should pay compensation of £400 for not giving 60 days' notice of closure, for not calling Mr M back as promised; and for not writing to him in March 2021 as they had said they had. She said that HSBC should check there was no default marker on Mr M's credit file, and if there was - they should remove it.

Mr M initially accepted these findings but then asked that an ombudsman look at his complaint. He repeated that the default should be removed. HSBC accepted the compensation award but said they didn't have to give two months' notice.

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's terms and conditions say they can close a customer's account if they wish; and don't have to give a reason for closure; nor do they have to give any advance notice. The Terms and conditions say: "*Sometimes we can end the agreement and close your accounts straight away and not give you any notice. We'll only do this if certain things happen. We've set these out below.*

You've seriously or persistently broken this agreement...You've behaved inappropriately either to us or when using our services....You weren't entitled, or aren't entitled any longer, to open or have your account or the service...You haven't given us information that we've asked for about your tax situation...You've given us false information...

We'll also do this if it's reasonable for us to believe that something in the list below has happened: You're accessing or using an account, service or money illegally or fraudulently ...You're allowing someone else to do this...You're using the account in a way not covered by our agreement...You're involved, in any criminal activity...It doesn't matter whether or not this is linked to banking with us...You've placed us in a position where we might break a law, regulation, code, court order or other duty, or requirement...You've exposed us, or another HSBC Group company, to action from any government, regulator or law enforcement agency...There's been a breach of security or misuse of your account, security details or a payment device."

HSBC told us they'd completed a review and decided to close Mr M's accounts. We can't challenge that - it's HSBC's commercial decision to take.

But I agree that the way in which HSBC dealt with the closure wasn't entirely reasonable.

HSBC's final response in June 2022 said they'd given Mr M two months' notice of closure. We asked HSBC for the correspondence - and they agreed that the notice period hadn't been given. I agree that HSBC didn't have to give notice – but the point is that they told Mr M they had done so – so, this was an error.

HSBC also told Mr M that they'd written to Mr M twice in March 2021 to ask him for more information about his account activity, and he hadn't responded. We asked HSBC about this and they said in fact, that they hadn't done that. So, that was an error also.

Mr M says he tried to call HSBC in November 2021 to find out what was going on, and why. He also tried to pay off the amount owing - £605.32. I listened to eight calls he made between 22 November 2021 and 8 December 2021. In the third and fourth call he was advised the account was closing in line with the terms and conditions – so that was correct. On the last four calls, Mr M was trying to pay off the balance – I think it was reasonable to think that should've been straightforward. And the letter of demand said he should call to pay the balance off – which is what he was trying to do.

But each time he was passed between departments and was told on the last call that someone would call him back – but no one did. This was clearly a frustrating and time-consuming experience for Mr M.

Mr M has said to us that HSBC told us that he didn't make any calls – to be fair to HSBC, they didn't say this to us and came forward with the call information – after our investigator asked for it.

We asked HSBC about the default – and they told us that a default wasn't added to Mr M's credit file. Even though HSBC's final response said it had been so. While I accept what HSBC has said here – this final decision mandates HSBC to check this and remove any default registered.

In summary, while HSBC were entitled to close Mr M's accounts if they wished - the way by which they did that wasn't reasonable. They didn't give two months' notice (as they said they had); they hadn't asked Mr M for information about his accounts (as they said they had); and they didn't enable Mr M pay off the amount owed as he tried to do. And Mr M had to make eight calls to get to the bottom of what was going on – and to try to pay off the balance.

In considering what award to make, we have set down some criteria. We say an award of up to around £750 might be fair where the impact of a business's mistake has caused considerable distress, upset and worry – and/or significant inconvenience and disruption that needs a lot of extra effort to sort out. I think it's fair to say that what happened to Mr M falls into this category, and so I agree that compensation of £400 is right here.

My final decision

I uphold this complaint. HSBC UK Bank Plc must:

- Pay compensation of £400 for distress and inconvenience. If Mr M wishes to accept, he should advise his bank account details.
- Ensure there is not a default added to Mr M's credit file. If there is, remove it.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 16 January 2023.

Martin Lord
Ombudsman