

The complaint

Mr K complains that HSBC UK Bank Plc unfairly restricted access to his bank account.

What happened

Mr K held a current account, Individual Savings Account (ISA) and credit card with HSBC.

HSBC undertook a review of its relationship with Mr K in October 2020, in light of information it received when considering a Bounce Back Loan application from him. The bank applied a restriction to Mr K's account on 13 October 2020 while it did so, meaning that he was unable to use the account or access the funds held within it. The account held a credit balance of around £500 at the time.

While the review was ongoing, HSBC rejected all scheduled direct debit payments other than the one for Mr K's HSBC credit card payment. As this was an amount of almost £900, Mr K's account was taken into an unauthorised overdraft.

Following its review, HSBC decided to end its relationship with Mr K. It wrote to him on 4 December 2020 to advise that it was closing his accounts, which would remain suspended pending final arrangements. It said the credit card facility had been cancelled with immediate effect. This left Mr K with the overdraft balance to repay and, with this amount outstanding, HSBC wrote to him with a demand in February 2021.

Mr K attempted to settle the balance on 4 March, through the combination of a cash deposit of £360.30 and a cheque from a third party for £19.45. But the cheque was subsequently rejected. So a debit balance of £19.45 remained, until this was settled by the transfer of funds from Mr K's ISA on 28 April 2021 – when the account was eventually closed.

Mr K doesn't think HSBC treated him fairly. In summary, he says:

- It was unfair for the bank to restrict his account without warning or explanation.
- He spent several hours on the phone to HSBC across a number of occasions in an attempt to work out what was happening, and was told that things would be back to normal in a couple of days, which proved untrue. He also had to make visits to a local branch, requiring time off work and incurring further expenses.
- He'd incurred fees from the providers of services for whom direct debit payments had been returned unpaid, while HSBC had taken a payment for its own credit card that had left him with an unauthorised overdraft to pay and that incurred interest.
- His credit score was adversely impacted by the missed payments and overdrawn balance.

Our investigator thought the complaint should be upheld in part. She said HSBC had been entitled to review, restrict and close Mr K's account. And there was no set timescale within which the bank had to complete its review. But she thought the bank had acted unfairly when

taking the payment to clear Mr K's credit card balance – as this had taken him into a significant unauthorised overdraft unnecessarily. While the bank hadn't done anything wrong in declining the cheque payment given the pending account closure, this payment wouldn't have been necessary had HSBC's actions not taken the account overdrawn in the first place. So to put things right, she recommended that HSBC pay Mr K compensation of £200 for the inconvenience he'd been caused as a result of its errors and that it remove any adverse credit data relating to the overdraft.

HSBC accepted our investigator's view, but Mr K didn't. He didn't think the compensation was proportionate to the level of distress he'd been caused, the time and effort he'd spent in sorting things out and the poor service he'd received. He also said that he'd been left out of pocket as a result of the issues with the £19.45 cheque – as the cashier had initially taken the cheque from him and he only found out some time later that it had been rejected, and he was now unable to obtain a replacement from the issuer.

So with no resolution, Mr K's complaint was passed to me to decide. Mr K has a separate complaint under review by our service in relation to the delay in obtaining the funds held in his ISA following its closure.

My provisional decision

My initial conclusions differed slightly from those of our investigator, so I issued a provisional decision setting out my thoughts and inviting both parties to send me anything else they wanted me to take into account before I made a final decision. I said:

HSBC has a number of legal and regulatory obligations to meet in providing banking services to its customers. Banks are required to keep accounts and their use under review, and may need to suspend access or services in order to do so.

The terms and conditions of Mr K's account allowed HSBC to suspend its services. HSBC has explained that it did so in order to comply with its regulatory obligations. From the information I've seen, I'm satisfied that this was the case and that its actions in restricting Mr K's usage of the account were reasonable. The bank wasn't required to notify Mr K of the restriction, or explain the reasons for its decision (although I note it confirmed the latter to Mr K when responding to his complaint).

HSBC was entitled to decide that it no longer wished to provide services to Mr K, so I don't think it did anything wrong in ending its relationship with him. The bank wrote to Mr K with notice of its decision and what this meant, as it was required to do.

I do, though, think there was a delay in HSBC completing its review and making its decision. Although it is correct to say that there are no set timescales within which the bank needed to complete its review, fairness dictates that this shouldn't be limitless.

HSBC's notes indicate that the information that prompted its review was obtained on 6 October 2020. The matter was escalated for internal review within a week. But from what I've seen so far, no meaningful action was then taken between 13 October and 3 December – when, following a further review, the bank decided to end its relationship with Mr K within 24 hours. I don't think that was reasonable in the circumstances here.

I also think HSBC acted unfairly when collecting the direct debit payment for Mr K's credit card. All other payments – for much lower amounts – had been rejected while the restriction was in place. There was nothing wrong in doing that, so I don't think HSBC has any responsibility for the consequences of this. But I think the credit card

payment ought also to have been returned, so as not to put the account into a significant overdrawn balance that has – foreseeably – had a disproportionately adverse impact on Mr K. And had HSBC concluded its review more swiftly – as I think it should've done – this situation would likely have been avoided altogether.

I think there was a further error on HSBC's part in relation to the handling of the cheque. HSBC ought to have known that the cheque wouldn't be accepted in light of the pending closure, and advised Mr K of this at the time he attempted to deposit it in branch. Instead, the cheque was collected in an attempt to pay it before being rejected at some point thereafter. That caused some further avoidable problems in sorting things out and closing the account down.

As I think there are some aspects of the matter in which HSBC failed to treat Mr K fairly, I've thought about how he's lost out as a result.

As I've said above, the review and restriction were always going to cause Mr K some disruption and inconvenience. It is only the impact of the restriction being in place for too long that I am awarding compensation. I've not seen that this caused Mr K any financial losses. The bank has already reversed the interest charged on the unauthorised overdraft. And while the credit card direct debit payment ought not to have been collected at the time, it would've been required relatively soon after – given the bank's cancellation of the facility once it decided to end its relationship with Mr K in early December. So I don't think this left him out of pocket overall.

The position with regard to the £19.45 cheque is less clear-cut. As above, I think HSBC made a mistake in accepting in branch – even though, overall, it was right to reject it. It's not clear to me that HSBC notified Mr K promptly that the cheque had been rejected – if it had, he could've gone back to the issuer to request a replacement (or alternative payment). I understand that the bank may have notified Mr K by way of an online message, but evidently he didn't receive this. Depending on Mr K's contact preferences with the bank, this might not have been the best way to deliver such a message. And I accept that he may not have retained sufficient records to reclaim the payment in question from the third party by the time he found out that the cheque hadn't been accepted in April. So based on what I've seen so far, I think it would be fair for HSBC to reimburse Mr K this amount.

I understand Mr K may have taken time off work and incurred costs in visiting a branch to attend to these matters, but I think those were decisions that he chose to make and not things for which I can fairly hold HSBC responsible. I also understand that Mr K is particularly aggrieved at how long it took to recover the funds from his ISA, but that is the subject of a separate complaint and not something that I can take into account in determining this complaint.

The issues have, however, caused Mr K some avoidable inconvenience and upset. The delay in removing the restriction and closing the account meant that he had to liaise with HSBC for longer than was necessary – and I can see that he continued to make several calls to the bank through November and with some regularity until matters were finally concluded in late April. I can also accept that Mr K may have been told that the review would be completed within a matter of days but – while frustrating – I don't think that's had a material impact on things, as the correct advice would've been that there was no timescale.

Mr K also had to make arrangements to repay the unauthorised overdraft, which he did by visiting a branch to make a deposit. The issues with the cheque then meant he had to follow up again on at least one further occasion. It would also have been distressing

to find that he had ended up in an unauthorised overdraft – with the need to repay this amount immediately, and the possibility of additional interest and adverse credit information being registered against him.

I can see the interest was reversed before the account was closed and HSBC has now agreed to remove any adverse information from his credit file, so it is just a matter of compensating him for this additional distress and inconvenience. Taking all of the above into account, I think HSBC should pay Mr K £350 along with £19.45 to cover the 'lost' cheque.

Neither party responded with any further information for me to take into account.

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.

Having done so, and with neither party having sent me anything else to consider, I see no reason to reach a different conclusion. So this final decision simply confirms my provisional findings, as set out above.

My final decision

I uphold this complaint and require HSBC Bank UK Plc to:

- Instruct the removal of any adverse information registered with any credit reference agencies in respect of the bank account and overdraft; and
- Pay Mr K £369.45.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 12 January 2023.

Ben Jennings
Ombudsman