

The complaint

Mr K complains that HSBC UK Bank Plc blocked and closed his account without notice. The closure has impacted his credit score. He would like his adverse credit rating removed.

What happened

Mr K had a current account and a credit card with HSBC. HSBC carried out a review of his accounts. Following the review, they sent Mr K a letter dated 11 December 2020 giving him 60 days' notice of closure of his accounts. Accounts were due to close on 16 February 2021. Mr K had an overdraft facility which he had to clear in full because of the closure.

Because HSBC hadn't heard from him, HSBC put a block on Mr K's account in February 2021.

Mr K says he didn't get the notice to close letter.

Mr K received a letter on 6 May 2021 demanding full payment of the overdraft of £2,574.52.

Mr K tried to make a payment on 17 May but was unable to.

Mr K complained, he said he hadn't received the closure letter and couldn't settle the account before the deadline. HSBC said they were entitled to close the account following their review. They were sorry Mr K hadn't been able to make a payment on 17 May and any payment he made would be backdated to that date. They said the credit balance from February to May was correctly reported.

Mr K was unhappy so complained to our service. One of our investigators looked into the complaint. She said HSBC were entitled to review and close the account. They weren't responsible for Mr K not receiving his letter of closure. She thought the default on Mr K's credit file had been correctly applied. HSBC were not unfair in applying the default on his credit record as Mr K hadn't paid the amount in full as was required but had paid off the money in instalments,

Mr K disagreed he thought HSBC should have sent more correspondence to him. Mr K said he had cleared the whole balance and he wanted the default removed.

As there was no agreement the matter has come to me to decide.

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'll start by setting out some context for the review of Mr K's account. UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. This applies to both new and existing relationships. These

obligations override all other obligations. I am satisfied HSBC were complying with these obligations when they reviewed Mr K's account.

As a result of the review of Mr K's accounts HSBC decided to close the accounts.

As the investigator explained it's generally for banks to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a good reason to do so, this service won't usually say that a bank must keep a customer or require it to compensate a customer who has had their account closed.

Banks should, however, give reasonable notice before closing an account. Usually that means 60 days' notice, but it can be less depending on the circumstances. I can see that HSBC wrote to Mr K on 11 December 2020 and let him know it was closing his account giving him 60 days' notice. Mr K has said he didn't receive this letter. I can see that HSBC sent the letter to the address they had for Mr K and Mr K hadn't told them of any issues with his post. I don't think HSBC can be held liable for Mr K not getting the notice to close letter, so I'm satisfied HSBC closed the accounts in line with the account terms. And gave Mr K adequate time to open another bank account and clear his overdraft.

Mr K says HSBC should have written to him more times to let him know of the account closure and of the need to pay off his overdraft. He says it's unfair he only got a letter on 6 May 2021 to inform him of the default and charges. I appreciate Mr K is very frustrated and worried about the adverse information on his credit record. But I don't think HSBC have a responsibility to send more than one letter to a customer to inform them of their account closing.

Mr K has also said the bank should have sent him more letters before defaulting him. I appreciate that Mr K feels frustrated by the situation, but HSBC did nothing wrong when they required him to pay his outstanding overdraft due to the closure of the account. As Mr K wasn't able to pay the amount in full on demand, he would have had a default added to his credit file. So, I don't think that more letters would have changed the situation and prevented a default in this case.

Mr K has said he cleared the overdraft entire balance so he can't see why he has a default on his credit score. As the investigator has mentioned a default is registrable when a customer has failed to keep up with payments. HSBC made a demand for the overdraft as a result of the account closing. And as I've said HSBC were within their rights to close the account. And the terms and conditions entitle them to request the payment of an overdraft if the account is to close. So, I don't think the bank has done anything wrong here. And I appreciate that although Mr K has now cleared the balance, he repaid the overdraft by 23 May 2022, he didn't do so by the date the account was due to close. So, I don't think HSBC have done anything wrong when they disclosed this on his credit file.

Mr K attempted to make a payment on 17 May 2021, but he was unable to. HSBC have recognised that he was prevented from making a payment and have said they would credit any payment he made to 17 May. Had Mr K cleared the full amount outstanding in one payment, the amount would have been credited to his account on 17 May 2021 for credit reporting purposes. But as Mr K made a series of monthly payment starting in September 2021 and finally cleared the outstanding overdraft balance on 23 May 2022, I don't think HSBC can be required to lift the default. As I said I don't think HSBC have acted unfairly here and I won't be asking them to remove the default.

My final decision

For the reasons stated above I don't uphold the complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 17 February 2023.

Esperanza Fuentes
Ombudsman