

The complaint

K is a limited company. K, represented by its sole director at the time, complains about HSBC UK Bank Plc service which led to its account being unfairly closed.

What happened

Due to Covid-19, the sole director Ms T was unable to return to the UK, so Company K was run overseas, and it relied upon HSBC's on-line banking to operate its bank account.

At the beginning of 2021, HSBC sent Company K an important mandatory on-line safeguarding form to complete. This had a deadline of April 2021 and HSBC stated a possible outcome of the review could be account closure.

This was received by Company K, but the form wasn't completed due to uncertainty over some of the questions.

HSBC gave Company K more time to complete the form. However, issues with digital security key fobs, delivery delays and communication problems meant Company K struggled to gain access and found the account blocked.

Although Company K managed to gain access, as the form still hadn't been completed HSBC again blocked the account and then closed it in December 2021.

Company K says that the re-imburement of the balance was then delayed.

Company K complained to HSBC; however, they couldn't see that they'd done anything wrong.

Company K complained to our service and requested account reinstatement and compensation.

Our investigator said that HSBC should pay Company K £300 compensation. However, Company K's director is dissatisfied with this amount, so this complaint has been referred to me to look at.

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 first considered HSBC's action to close Company K's account and, whilst I appreciate Ms T's strong feelings here and the inconvenience caused to Company K, a bank is entitled to close an account with a company, just as a company may close an account with a bank. However, when doing so, it must comply with the terms and conditions of the account.

So, I checked HSBC's terms and conditions and although I appreciate there were postal issues, having seen all the correspondence sent to Company K, I'm satisfied HSBC gave notice and acted correctly.

I then looked at the inconvenience and distress here and it's clear that the issues around the key fob, account blocks and communications had an impact upon Ms T. However, whilst I appreciate Ms T is a sole director, as explained by our investigator our service can only consider the impact to the legal entity – Company K. So, I can't tell HSBC to compensate an individual here and a company can only experience inconvenience and loss.

When considering compensation for the inconvenience a company may experience, there is a high bar and, although I fully appreciate the pressure on a sole director / employee and the background to setting up Company K, I would've expected Company K to quickly respond, liaise or seek support to mitigate potential risks of not completing an important form and therefore missing a deadline which could result in its bank account being blocked or closed. Also, to look to mitigate communication and automation risks before they materialise.

So, considering this together with HSBC's terms and conditions, safeguarding responsibilities, communication and correspondence records, including deadline extensions, I can't see that they failed to follow their procedure or acted unreasonably when closing Company K's bank account. And I'm not persuaded that they should pay compensation to Company K for the account blocks or inconvenience to the sole director.

However, from reviewing the file, I'm satisfied that Company K did experience inconvenience when there was an approximate 6-week delay when HSBC followed their policy by processing a closing balance cheque. So, considering this together with the circumstances in this case I think the £300 HSBC agreed to pay following our investigator's view is both fair and reasonable.

So, considering all the above, whilst I appreciate Ms T will be disappointed, I'm partially upholding this complaint and I require HSBC to pay Company K £300 compensation.

My final decision

My final decision is that I partially uphold this complaint and I require HSBC UK Bank Plc to pay Company K £300 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Company K to accept or reject my decision before 7 April 2023.

Paul Douglas
Ombudsman