

The complaint

Mr T complains HSBC UK Bank Plc (“HSBC”) closed his Basic bank account and did so without any notice. Mr T also complains HSBC sent him a cheque when it knew he wouldn’t be able to physically cash it - nor has he been able to. Mr T adds that a payment from a law firm has gone missing after being sent to HSBC.

Mr T says HSBC’s actions have caused him financial loss, and substantive distress and inconvenience.

What happened

Mr T has another complaint against HSBC at this service under a separate reference number. To be clear, this complaint only deals with the heads of complaint as above.

In early May 2022, HSBC closed Mr T’s Basic bank account without giving him notice of its intentions to do so. HSBC sent Mr T a cheque for the closing balance to his registered residential address.

Mr T says, due to his circumstances, he was unable and effectively incapacitated to receive the cheque at his address, and then cash it into another bank account. He also says he didn’t have another bank account – so this wasn’t possible at the time.

Mr T says a law firm confirm it sent £3,300 to his HSBC account. But this amount wasn’t included in the closing balance. So, he says HSBC are holding onto these funds.

Unhappy with HSBC’s actions Mr T complained. HSBC didn’t uphold his complaint. In summary, it said it had the right to close his account in this way and it was in line with the terms of the account.

HSBC reiterated it had sent him a cheque for the closing balance of £290.95, and that it had not received £3,300. And, had it received any payment, as the account was closed that day, all payments would have been returned to source.

Mr T referred his complaint to this service. One of our Investigator’s looked into it, and in summary, they found:

- HSBC acted in line with the terms of the account and followed its legal and regulatory obligations when reviewing and closing the account. HSBC acted fairly and reasonably here
- Most banks accept cheques by post – so Mr T wouldn’t need a third party to cash it for him. HSBC have shown the cheque was deposited and cashed into Mr T’s new nominated account.

Mr T is unable to obtain statements from this nominated account, and because of privacy concerns he doesn’t want this service to contact the bank to obtain the statements. So, as the evidence shows the cheque was received and deposited, HSBC did nothing wrong by sending it given Mr T’s circumstances

- There is no evidence that a credit from a law firm entered Mr T's account on the day it was closed. As the account was closed when the payment was sent, Mr T should contact the firm and ask them to get their bank to trace the payment. HSBC has made no error here

As Mr T didn't agree with what our Investigator said, the complaint was passed to me to decide.

I then sent Mr T and HSBC my provisional decision and asked both parties to respond. For ease of reference, here is what I said I was planning to decide:

"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, I'm planning on not upholding Mr T's complaint. I'll explain why.

Banks in the UK, like HSBC, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

Having seen HSBC's reasons for carrying out a review, I'm satisfied it acted fairly, and in line with obligations placed upon it.

Account closure

Mr T's account was closed with immediate effect. HSBC is entitled to close an account just as a customer may close an account with it. But before it closes an account, HSBC must do so in a way, which complies with the terms and conditions of the account.

The terms and conditions of the account, which HSBC and Mr T had to comply with, say that it could close the account by giving him at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

But Mr T had a Basic bank account with HSBC. This means HSBC also had to consider the provisions of the Payment Accounts Regulations 2015. Amongst other things, they set out when an account provider can close a Basic bank account.

Basic bank accounts are a type of current account intended for people who don't have and don't qualify for standard current accounts. And it's partly because of this that HSBC's concerns, and any evidence it has in relation to this, had to meet a different standard.

HSBC has given me information about why it decided to close Mr T's account. Having carefully considered this, I'm persuaded HSBC didn't meet the standard expected to close a Basic bank account in Mr T's case. I'm also persuaded HSBC didn't do enough in relation to carrying out a proper investigation and carrying out due diligence to collect the information needed in the circumstances of this complaint.

So it follows that I don't think HSBC should have closed Mr T's Basic bank account in the way that it did. Mr T wants to know what HSBC's reasons are. Our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information.

Some of the information HSBC has provided is information that we consider should be kept confidential. I would also add that I'm not aware of any obligation either HSBC, or I, are under to disclose the reasons.

Mr T says he didn't have another current account at the time, which added to the distress and inconvenience he suffered. Mr T adds that he was able to get another account with another bank some time later. Our Investigator has asked Mr T for statements in relation to this account to help reach a determination on a separate complaint point. But Mr T says he doesn't want to do this, saying in broad terms, he wants his privacy respected.

I can understand why Mr T feels like this. But to safely and fairly conclude that HSBC should not have closed his Basic bank account, I'd need to be satisfied he didn't have another current account open at the same time.

So, though I'm satisfied HSBC shouldn't have closed Mr T's Basic account, I can't fairly decide this point until I have enough information to say Mr T didn't have another account. After all, if he did have another bank account, then the additional obligations placed on HSBC for when it can close a Basic bank account would be made redundant. That's because, as I've already said, Basic bank accounts are a type of current account intended for people who don't have and don't qualify for standard current accounts.

To find Mr T didn't have any other bank account open in early May 2022, I'd need to see evidence either in the form of statements or a credit report. I'm aware, having listened to the call, that Mr T has his own reasons for wanting to safeguard his privacy. But this information is materially relevant to the merits of his complaint. Any information Mr T provides us will be handled in confidence.

If Mr T can show he didn't have another bank account open at the time, then its most likely I will uphold this part of his complaint. That is, HSBC were wrong to close his account. In terms of fair compensation, I wouldn't be minded to direct HSBC to reopen his account - that's because Mr T now has another account.

But it would have to compensate Mr T for the distress and inconvenience it caused him. Mr T had to make several calls to HSBC about this, and this was made harder by his personal circumstance of having limited opportunity to do so. I also need to consider the impact of not potentially having another account for around a month.

So weighing up the overall impact this had on Mr T, I'm minded to award £250 for the distress and inconvenience HSBC's account closure caused him. But to be clear, this is contingent on whether Mr T shows he didn't have another bank account at the time. I've already said what information I need to be able to determine that.

Mr T has also said his credit file was adversely affected and he's suffered financial loss. I haven't seen compelling evidence that this was the case.

Closing balance and cheque

HSBC have sent information from its internal systems which shows the cheque for Mr T's closing balance was deposited into his nominated account. This account is the same one Mr T has opted not to send us statements for.

As I can't check the statements, I must rely on the evidence I do have. So based on what information I do have, I'm satisfied Mr T, or someone acting on his behalf, received and was able to deposit his closing balance.

Mr T says HSBC should not have sent him a cheque given it knew about his personal circumstances - principally that he wasn't living at his residential address. But given when the cheque was deposited, I don't think Mr T was significantly inconvenienced by it being sent in a cheque format.

Payment from law firm

HSBC say if a payment was received into the account on the day it was closing, it would have been returned to source. The account statement doesn't show a payment was made into Mr T's Basic account before it was closed it.

So based on that, I'm satisfied Mr T's account didn't receive the funds and they were more than likely sent back to the remitter. Mr T should speak to the firm that sent this payment and ask its bank to trace this payment. If it can show the money wasn't returned, this is something I'm happy to look into before reaching a final decision"

In response, Mr T sent me his credit file and third-party bank statement. He's asked that this information is kept confidential.

After carefully considering this new information, I wrote to HSBC and in summary said:

"Mr T has sent me copies of his credit file. He has expressly asked that they are kept confidential. I have now looked through these carefully, and having done so I am satisfied he didn't have another bank account when HSBC decided to close his Basic bank account with it.

So that means, HSBC shouldn't have closed it in the way it did. As you'll note, I explained in my provisional decision that I'm persuaded HSBC didn't meet the standards expected of it when deciding to close a Basic bank account..... So it follows, that I will be upholding this complaint in part. As explained in my provisional decision, and as Mr Tofangsazan has shown he had no other bank account, I will be directing HSBC to pay him £250 for the distress and inconvenience it caused by closing the account in the way it did.

I'm still satisfied that Mr Tofangsazan did receive the closing balance and was able to bank it into his new account. And I still haven't seen compelling evidence Mr Tofangsazan has had his credit file adversely impacted by HSBC's actions."

In response, HSBC say it has no further representations to make. So it follows that I must now decide this complaint.

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 for the reasons contained in my provisional decision, I've decided to uphold this complaint in part.

I'm satisfied Mr T's credit file and bank statements show he didn't have another bank account when HSBC closed his Basic bank account. I explained in my provisional decision – as above – that if he could show this, I would be satisfied that HSBC shouldn't have closed his account in the way it did. So, it follows that HSBC have not acted properly here, and Mr T should be awarded compensation for the distress and inconvenience this caused.

I explained previously why I think £250 is fair compensation, and I haven't seen anything

else to persuade otherwise.

Mr T had said he didn't receive the closing balance from HSBC. In my provisional decision I said:

"HSBC have sent information from its internal systems which shows the cheque for Mr T's closing balance was deposited into his nominated account. This account is the same one Mr T has opted not to send us statements for"

Having seen Mr T's statements, though the debits and credits are redacted, I can see from the balance section that the same amount HSBC sent was deposited into his account. So given what I've seen here, and for the reasons in my provisional decision, I'm satisfied Mr T received the closing balance and it was deposited in his new bank account.

Mr T hasn't sent any information relating to the payment from his law firm. So I'm persuaded that these funds were sent back to the law firm as HSBC said. Finally, I haven't seen evidence that HSBC's actions caused detriment to Mr T's credit file.

My final decision

For the reasons above, I've decided to uphold this complaint in part. I now direct HSBC UK Bank Plc to pay Mr T £250 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 7 April 2023.

Ketan Nagla
Ombudsman