

The complaint

A charity I'll call H complains that HSBC told it to ignore a letter giving notice to close its account, then closed the account anyway. H says HSBC caused it problems in the build up to the account closure, and continued to make mistakes afterwards.

To put things right, H wants HSBC to compensate it for various losses H says it incurred as a result of HSBC's actions.

What happened

On 17 February 2020, HSBC contacted H to start what it called a safeguarding review of H's account. The review lasted several months and the extent of the same is known to both parties, so I won't repeat all of the details here. But briefly, HSBC requested various documents and information, such as its policies for things like anti-bribery and corruption, anti-money laundering and terrorist financing.

H appointed solicitors to help provide responses to HSBC's questions, and attended appointments to discuss various matters relating to its organisation.

H told our service that, while the review was ongoing, it received a letter dated 1 December 2020, advising H that HSBC intended to close H's account. H contacted HSBC to query this given the status of the safeguarding review. HSBC said the letter had been generated in error, and assured H that the account wouldn't be closed. The review continued and HSBC agreed to extend the deadline for completion to May 2021.

On 5 February 2021 though, H discovered that it couldn't access its account. When H contacted HSBC to find out why, HSBC said the account had been closed, and that it couldn't explain the reason for its decision.

H complained, saying it had been told to disregard the notice to close letter, and that the sudden closure had caused it problems as it wasn't able to open a new account at short notice.

On 8 February 2021, HSBC issued its final response to H's complaint. It said it had sent a notice to close letter on 1 December 2020, to the address it held on file for H. And that its decision to close the account was separate to its safeguard review. It said it couldn't disclose the reason behind its decision to close H's account, given the sensitive nature of the review, and said H could take its complaint to the Financial Ombudsman Service if it remained unhappy.

H eventually managed to open an account elsewhere and, after some problems getting HSBC to transfer the balance, completed the switch when the balance of £8,091.36 was transferred on 26 March 2021.

H brought its complaint to our service. It was unhappy at the way HSBC had conducted the safeguarding review, and that it had closed H's account after saying it wouldn't do so. H said the closure meant it had to suspend all charitable activities, and that it went without an

account because of the difficulties of opening a new account at that time. It was also unhappy at delays in processing the funds transfer to H's new account.

To put things right, H wanted to know why HSBC had closed its account, and to know about any markers HSBC might have placed against H. It also wanted HSBC to release the balance held in H's account, and to be paid compensation for the time it had spent dealing with the safeguarding review, for donations it said it missed out on as a result of the sudden block, plus various professional fees and expenses.

Our investigator upheld H's complaint, but didn't award all of the compensation H had sought. She said HSBC was entitled to review and close H's account in the manner it did, but she felt HSBC's conflicting information regarding the notice to close had caused H inconvenience and that HSBC should pay H £300 in compensation.

HSBC accepted our investigator's outcome, but H didn't. It challenged HSBC's right to take the actions it did and provided a schedule of the losses it claimed. It asked for an ombudsman to review the matter afresh.

I issued a provisional decision on 14 February 2023. In it, I said:

"The safeguarding review

All banks in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. That sometimes means they need to review customers' accounts and ask questions/request documents to ensure compliance.

So, in order to make an award in favour of H, I would need to be satisfied that HSBC acted unfairly or took actions it wasn't entitled to take. Having looked at the evidence, I'm satisfied HSBC acted in line with its legal and regulatory obligations when it reviewed H's account. And that it was entitled to do so under the account terms and conditions that governed the relationship between HSBC and H.

I recognise H found the review intrusive, and that it continued for several months, but these reviews can be complicated and it's not always possible for a bank to raise all of its enquiries together. And, having thought about what both parties have said, I'm satisfied HSBC completed its review in an appropriate manner, that it acted reasonably promptly in the circumstances of this particular case, and that it didn't ask questions it wasn't entitled to, or request information it shouldn't have to the extent that a payment of compensation would be warranted.

I can see that H incurred significant legal expenses and invested many hours of staff time in complying with HSBC's requests, but I can't reasonably ask HSBC to compensate H for those items. For the reasons I've set out above, HSBC didn't do anything wrong, so H's losses don't flow from a bank error. Further, its decision to appoint a solicitor was its own choice, not HSBC's. And if H didn't want to incur those costs, it could have declined to answer HSBC's questions and sought banking arrangements elsewhere.

To be clear, I understand why H didn't do so and I'm not seeking to criticise H's actions: I'm simply explaining why HSBC isn't liable for that part of H's claim.

Finally, it's worth noting that I haven't seen any evidence HSBC recorded any adverse markers against H on the back of its review. If H has further specific concerns it has yet to disclose, it should confirm these to me in response to this provisional decision.

Account closure

Just as a customer may close an account with a bank, a bank is entitled to close an account with a customer. But when it closes the account, it must do so in a way which complies with the terms and conditions of the account.

The terms of H's account, with which both HSBC and H had to comply, say that HSBC can close H's account as long as it gives at least 2 months' notice. I haven't seen the notice to close HSBC sent, but both parties have told our service HSBC sent a letter dated 1 December 2020, giving two months' notice of its intention to close H's account.

That being the case, HSBC did comply with the terms of the account when initiating the closure. HSBC isn't obliged to disclose the reasons for its decision to close H's account (or why it carried out the review for that matter), and I can't reasonably force it to do so against its wishes. So, I won't tell HSBC to explain its decision to H, and because I'm satisfied it was entitled to close the account, at least in the manner it originally intended to: i.e. by giving two months' notice, I don't consider the act of closing H's account to be unfair.

However, H told our service it received a second letter at the same time, also dated 1 December 2020, extending the deadline for the safeguarding review to be completed to May 2021. And H says HSBC then confirmed on the phone that the notice to close letter could be disregarded. HSBC accepted our investigator's findings on this point, so the facts are not in dispute.

While HSBC did initially instigate the closure procedure correctly, its actions in extending the review long beyond the closure date, and in telling H to ignore the notice to close clearly contradicted its notice to close. And I'm satisfied that, by doing so, it had rescinded the notice and led H to believe that its account wouldn't be closed.

Compensation

Because of HSBC's error, H went without banking facilities for a significant period of time. H says this caused damage to its reputation, that it couldn't pay its staff at the end of February, that it missed out on some donations, and that others were delayed, that it incurred professional fees, and that its trustees experienced distress and inconvenience. H has set out a full schedule of its losses, some of which I think are reasonable, but others are not.

While I understand why H instructed its solicitors to help with the account closure, I don't consider it would be reasonable to hold HSBC responsible for those fees. H's decision to incur legal fees in dealing with the closure was its own choice and I don't consider it was necessary to do in the circumstances of this particular case. There was no litigation, and HSBC didn't change its decision based on H's representation, nor was it likely to.

Further, from the breakdown provided, it seems that some of the fees would have been incurred had HSBC closed the account correctly. H has claimed legal fees for drafting documents, which it says was wasted as HSBC ultimately closed its account. As I've said above, HSBC was entitled to request the documents and information it did. And I've seen nothing to demonstrate HSBC intended to close H's account all along, so I can't say HSBC caused H to incur wasted fees. Rather, H simply incurred fees in complying with HSBC's legitimate enquiries.

I also can't award compensation for the distress experienced by H's trustees or service users. HSBC's customer is H not the trustees themselves, so I can only make an award for inconvenience H experienced or damage to its reputation, and not distress experienced by H's staff or trustees.

With that being said, I do consider H suffered significant inconvenience as a result of the

short notice closure, as well as a degree of reputational damage which warrant compensation. Part of H's claim for reputational damage relates to its donors' concerns about its new bank's procedures. But I can't reasonably hold HSBC responsible for the actions or reputation of another bank, particularly given that I've said HSBC was entitled to close H's account.

H also claims to have missed out on donations as a result of the closure, and that some other donations were delayed. That element of H's claim is very difficult to accurately assess to the point that I could confidently say H has suffered the losses it claims. Based on the evidence provided, I'm not persuaded the donations lost won't be gifted in the future. And I can't accurately assess what portion of the delayed donations were purely as a result of HSBC's error.

Ultimately though, I am persuaded that H suffered damage to its reputation as a result of not having an account (and therefore not being able to pay staff/consultants and donors having payments returned), inconvenience as a result of its employees/trustees attentions being directed elsewhere at short notice, inconvenience as a result of HSBC's handling of the actual closure and balance transfer and a degree of disruption to its donations.

For the reasons I've set out, I consider the above was significant enough to warrant substantial compensation. And I'm minded to tell HSBC to pay H £1,000."

I asked both parties to submit any further evidence or arguments they wished me to consider by 14 March 2023. HSBC accepted my findings and didn't have anything further to add. H set out the order of events in relation to HSBC's delays in transferring its account balance. It said that demonstrated the significant inconvenience H experienced as a result of HSBC's actions.

I want to reassure H that I did consider the timeline of events prior to issuing my provisional findings, and that I gave due consideration to that in reaching my outcome. Indeed, I increased the compensation our investigator suggested in part to recognise the problems caused from 5 to 26 March, i.e. the period H detailed in its reply to my provisional findings.

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.

Because I didn't receive any further evidence or information that changes my mind, my provisional findings remain unchanged.

My final decision

My final decision is that HSBC UK Bank PLC must pay H £1,000.

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

Alex Brooke-Smith
Ombudsman