

## **The complaint**

E complains about HSBC UK Bank Plc's decision to block and close its account. E also complains about the time taken in releasing the money held in the account back to it.

Mr K, E's director, says this caused significant loss to E's business and reputation and wants compensation.

## **What happened**

E had a UK and foreign currency business account with HSBC, which allowed E to transact in EURO, USD, and GBP.

In March 2021, E received a large payment into its EURO account. Following this, HSBC restricted E's accounts – including the money in them – while they carried out a review. HSBC asked E for proof of entitlement to the funds held in the account, and E provided this. HSBC continued with their review and informed E they were complying with their UK statutory requirements so E couldn't transact on the account.

Mr K, on behalf of E, explained that the limitation of E's account meant E had lost out on a significant amount of money - around €95,000, and wasn't able to enter into new contracts. He said this caused reputational damage as well as financial loss to E and personal distress to him as the director including health issues.

In July 2021, HSBC finalised their review and decided to end their banking relationship with E. They provided E with 60 days' notice. E sent HSBC relevant bank details to transfer the money in the account too and the money was transferred once the account was closed around August 2021.

Our investigator reviewed things and thought HSBC's actions were fair up until around May 2021. But he hadn't seen enough evidence to satisfy him of whether HSBC's actions were reasonable between May 2021 and when they released the money to E. So, he asked HSBC to pay E 8% simple interest on the amounts withheld in the accounts.

E agreed – but HSBC didn't. They said E was able to transact on the account up until the exit date and therefore they couldn't release the money before the closure as there was potential for E to use it.

As an agreement couldn't be reached, the complaint has been passed to me to review.

## **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'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking

this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything that E and HSBC have said before reaching my decision.

I would add too that 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 considered should be kept confidential. This means I haven't been able to share a lot of detail with Mr K, but I'd like to reassure him that I have considered everything.

### *The review and closure*

HSBC are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They're also required to carry out ongoing monitoring of new and existing relationships. That sometimes means they need to restrict customers' accounts – either in full or partially while they carry out their review. Having looked at what's happened, it appears E's account flagged for review due to a large payment coming into the account, and a request from E to transfer it out.

I appreciate why E may have found this inconvenient, but HSBC must ensure they keep their due diligence checks updated at all times. As part of their review, HSBC asked E for detailed information about the money in its account and where it came from – which they're entitled to do under their obligations. Having reviewed everything, I do think HSBC's requests were reasonable in the circumstances. Ultimately it is HSBC who decide what information they do or do not require as part of a due diligence review and they have a duty to protect their customer's money and understand where it came from. Because of that, I can't fairly conclude HSBC acted inappropriately.

At times, following a review, banks sometimes choose to end their relationship with customers. This can be due to a number of reasons and a bank isn't obliged to give a reason to the customer. Just the same as if E decided to stop banking with HSBC, it wouldn't have to explain why. I appreciate E feels very strongly about HSBC making an error in regard to where the money was sent from – and he thinks they have mistaken the origin. I appreciate Mr K's strong feeling around this, however based on what HSBC has shared with me, I'm satisfied their actions were wholly appropriate in the circumstances.

HSBC can only close accounts in certain circumstances and if it's in the terms and conditions of the account. HSBC have relied on the terms and conditions when closing E's account. The terms explain that the bank can close the account with notice. I've considered the full circumstances of this complaint and I agree HSBC were entitled to close the account and I'm pleased to see they gave E the full notice period to allow it to arrange other banking facilities – albeit Mr K asked for the accounts to be closed sooner.

### *Withholding the money and the impact*

HSBC initially said they couldn't return the money to E before the account was closed as E was able to transact up until the exit date, which was 9 September 2021. However, more recently HSBC have said that E wasn't able to use the account and it remained blocked until the balances were transferred out in August 2021. I've thought carefully about this, having

reviewed all of the evidence HSBC has sent, like our investigator, I'm not persuaded that HSBC couldn't have released this money sooner. While we wouldn't usually give a certain timeframe that a review should be completed in, I'd expect the review to take place in a timely manner without any undue delays. And based on the evidence I've seen; I think it's likely HSBC could have released the money in May 2021 – so I find withholding the money from E after this date unreasonable and therefore think HSBC need to recognise this loss of use.

Mr K says the time without access to the money caused E severe financial losses and loss to its reputation as it couldn't enter into new contracts. While Mr K, on behalf of E, has submitted documentation relating to E's business, I haven't seen any evidence which satisfies me of the losses E has incurred. Therefore, I can't reasonably ask HSBC to pay E the amount of compensation it is seeking. In order for me to do that, I'd need to see clear evidence that HSBC's actions were unfair, and that they resulted in E losing out financially due to HSBC's error. I'm not satisfied that has happened and therefore I won't be upholding the complaint on this point.

I've also thought about what Mr K has said in relation to the health issues he faced personally due to this situation. I can't consider any impact to Mr K as an individual – because he is a separate legal entity to E. And in the circumstances of this complaint, E is HSBC's customer. So, while I'm sorry to hear of the difficulties Mr K faced personally, it wouldn't be appropriate for me to comment on them.

### **Putting things right**

I consider an interest payment of 8% simple should be calculated and paid on the amounts held in E's account from 5 May 2021 to when the funds were transferred out. This recognises the loss of use of the funds and while doesn't reflect the loss of business or reputation E says it occurred, it is the current statutory interest rate on judgment debts and therefore, I consider it to be the fairest in the circumstances.

### **My final decision**

For the reasons I've explained above, my final decision is that I uphold this complaint against HSBC UK Bank Plc.

To put things right, HSBC Bank UK Plc should pay E interest at 8% simple per year on the amount in each account they withheld from E from 5 May 2021 up to the date the bank returned the money to E. This should be paid in the designated currency of each account.

HM Revenue & Customs require HSBC UK Bank Plc to withhold income tax from the abovementioned interest. HSBC should give E a certificate showing how much is taken off if it asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask E to accept or reject my decision before 16 May 2023.

Sharon Kerrison  
**Ombudsman**