

The complaint

A partnership which I'll call C complains that HSBC UK Bank Plc treated them unfairly when closing their client deposit account.

There has been some confusion about how many complaints C has made, and which are covered under this complaint reference so I will address that further below.

The complaint is brought on C's behalf by one of the partners, Mr Y.

What happened

C held a client deposit account ('the account') with HSBC. In March 2022, HSBC wrote to C to explain that for them to hold this type of account, they needed to confirm as a business that they had the following:

- Sufficient Anti-Money Laundering procedures to comply with the relevant regulations.
- They completed 'Know Your Customer' ('KYC') checks on their customers.
- They were registered with an industry body.

C told us:

- HSBC closed their account without reasonable warning.
- They had confirmed they were regulated to hold client funds before the account had been closed.
- HSBC said it contacted the partners, but they hadn't received anything before the account was closed on 24 June.
- They had spent significant time and effort resolving the issue and weren't told by HSBC that the account had been reopened.

HSBC told us:

- It didn't think it had done anything wrong as it was meeting its regulatory obligations by asking C to confirm it was eligible for this account type.
- It had received confirmation that the partnership was registered with a regulatory body, but it had spoken to C in March to explain that it needed all three points confirmed for the partnership to have this type of account.
- It hadn't received all the required information from C as requested, so it had emailed the partners in April to say that this needed to be received within 7 days or the account would be closed.

- The information still wasn't received from C, so it had written to the partnership to say that their account would be closed on 24 June.
- Although the process to close the account had been started on 24 June, the account was never actually closed at any point. It had spoken to C on 29 June and agreed that if the three points were confirmed in writing by the partnership by close of business that day, the account could remain open. If not, it would then be closed.
- Further information was received on 30 June, but this wasn't signed in accordance with the mandate held on file. A further extension was granted, and the information was received on 1 July, so the account closure request was cancelled, and the account remained open.

Our investigator recommended the complaint be upheld in part. She said that HSBC hadn't evidenced that the account closure letter had been sent, and the bank had given C an unreasonable timescale to reply with the additional information on 29 June. She acknowledged that C said they had been caused reputational damage and spent time resolving the issue but based on the evidence available she wasn't persuaded the bank's actions had caused a financial loss. So she thought HSBC should pay C £300 for the inconvenience and the reputational damage caused as a result of the missing payments. C didn't agree and asked for an ombudsman to review the complaint, so the case has been passed to me to decide.

Since the complaint was brought to the service, C raised a second complaint point that that they had payments which weren't received into their account, as a result of the bank's account closure process - which was the focus of this complaint. The partners have explained that this caused them the reputational damage and meant they had to cover payments from their personal account. However, this was a different complaint which was addressed separately by HSBC.

What can I consider under this decision?

I need to decide exactly what C's complaint is. In doing so, I have referred to our rules, which are available online at <https://www.handbook.fca.org.uk/handbook/DISP/>. So, in order to decide how we consider C's complaint or complaints, I must first identify the "act or omission" C has complained about. In this case, I think C has made two separate complaints here:

- In June 2022, C complained about HSBC's decision to close their account and the poor administration behind this including where notifications had been sent and the timescales provided.
- In July 2022, C complained about transactions which hadn't been credited to their account because of the account closure - and had been confirmed by HSBC as being in another of the bank's accounts. This had caused extra work for C in locating the missing transactions, meant they'd had to make payments using their own funds whilst the transaction payments were located by HSBC from its accounts, and the reputational damage caused because of the missing transactions.

In other words, C's first complaint was about the bank's decision to close their account. C's second complaint was about what the bank did when it said their account had remained open and active as expected which wasn't the case. So this decision will only address C's first complaint and their second complaint will be addressed under a different complaint reference.

I recognise the investigators view mentioned the reputational damage caused to C as a result of HSBC's actions and this may have caused confusion to both parties. However, I think this should be addressed as part of the partners second complaint and therefore I will not be addressing the reputational damage, financial loss or any impact on C as a result of the bank's action of not credited their account with the expected transactions. These complaints points will be addressed separately as to whether or not we think HSBC made mistakes in respect of that complaint. This decision will solely focus on whether it was fair for HSBC to look at closing C's account and the actions it took in communicating this to the partners.

I issued a provisional decision on 25 April 2023. I said the following:

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've decided to uphold it in part. I'll explain why.

C says that HSBC treated them unfairly as it closed their account without sufficient warning, but I'm not persuaded that's the case. It's not in dispute by either party that C was told in March that it needed to confirm three pieces of information to keep the account open, and that they only provided the declaration at the time. So I think C ought reasonably to have been aware that as it didn't provide all the information requested by the bank, that it was a possibility their account would be closed at some point in the future.

I've also seen that HSBC contacted C again on 1 April via email to request the outstanding information. C says they didn't get the email as the bank emailed one of the partners who had retired in December 2021, instead of the active partners. However I've seen the email was sent to the address that C had registered with the bank. I acknowledge C feels HSBC should have checked they received the email, but the bank isn't obligated to ensure its correspondence is being received or actioned – it simply sends any requests to the contact information provided by C. I haven't seen any evidence from either party showing that this email address status was inactive or not in use. And ultimately its C's responsibility to keep this information up to date as HSBC wouldn't be aware of any changes the company might have made. So I don't think the bank did anything wrong here.

C says that because the email address was incorrect, they didn't receive the correspondence from HSBC to say that if the requested information wasn't provided, that their account would be closed. But I'm not persuaded that's the case. I say this because, I've seen evidence that C called HSBC on 26 April to discuss the account closure correspondence they'd received. So I think it's likely that the message was communicated to C from the retired partner, or C wouldn't have made the call to HSBC - two months before the account was due to close - to discuss the correspondence they had received.

Furthermore, the terms of C's account say that HSBC can close the account immediately and without notice if it requests information that isn't provided or if it believes that keeping the account open would involve it breaking a law, regulation, or obligation that it is required to meet. In this case, HSBC needed C to confirm that they were eligible for this type of account due to the specific regulatory requirements, it isn't expected to keep an account open indefinitely without this information. So I think it's reasonable that the bank made the decision to close the account when the

information wasn't received more than three months after C had been made aware of HSBC's requirements.

However, I can see that when C contacted HSBC on 29 June to confirm they wanted the account to remain open and that they would be providing the information, the bank gave them a timescale of three hours to prevent the account being closed. I don't think this was reasonable and given that it wanted two partners to sign the information to say it was correct, I don't think HSBC treated C fairly here. I've seen that this caused the partners distress and inconvenience whilst they made attempts to meet this short deadline, as none of them were in the same location.

Therefore I think HSBC should pay C £100 for the inconvenience caused here. As mentioned above, this is solely for the inconvenience caused as a result of the bank's unreasonable timescale here. C's complaint about the reputational damage caused as a result of HSBC's actions will be addressed under a separate complaint reference – we will then consider whether we think HSBC made any mistakes in respect of that complaint and if so, award appropriate redress.

I invited C and HSBC to give me any more evidence and information they wanted me to consider before issuing my final decision. Both C and HSBC accepted the decision and had nothing further to add.

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.

Therefore, as both C and HSBC have said they accept the decision and haven't responded with any further information, I see no reason to reach a different conclusion to my provisional decision. So this final decision confirms the findings set out in my provisional decision.

My final decision

My final decision is that I uphold this complaint in part. I instruct HSBC UK Bank Plc to pay C £100 for the distress and inconvenience caused.

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

Jenny Lomax
Ombudsman