

The complaint

O, a limited company complains that HSBC UK Bank Plc unfairly blocked and closed its account. O also says HSBC delayed releasing its closing balance.

O is represented by its director, Mr V.

What happened

O had an account with HSBC, which was opened in 2017. In October 2022, HSBC decided to review O's account. Following this, in November 2022, HSBC decided to close O's account immediately and issued a cheque for O's closing balance.

Mr V complained to HSBC. He said he didn't understand why HSBC had blocked and closed O's account. He said HSBC had closed other accounts he had with them and wrongly applied a fraud marker against his name – which HSBC had agreed to remove. So, he thinks HSBC shouldn't have closed O's account. In response, HSBC said it hadn't done anything wrong and had closed the account in line with the terms and conditions. HSBC also said that it hadn't caused any delays in releasing O's closing balance. It said it had issued a cheque for O's closing balance on 18 November 2022, and that Mr V called the bank on 12 December 2022, asking for a balance transfer instead of a cheque. HSBC said Mr V had the cheque for nearly a month without cashing it.

Mr V brought O's complaint to us where one of our investigator's looked into it. The investigator asked Mr V and HSBC for some more questions about what had happened. Mr V explained that he's had a lot of problems with HSBC closing accounts relating to him. He told us that he had resigned as a director for another business, which I will refer to as N, in November 2020. He said that HSBC had registered a CIFAS marker against him in late 2021, regarding the activities of N which took place long after he had left the business – so he complained, and HSBC agreed to remove the marker. Mr V said that he doesn't understand why HSBC closed O's account and feels the bank is just harassing him because of his involvement with N.

The investigator relayed what Mr V had said to HSBC about N. In response, HSBC provided some more information but maintained that it hadn't done anything wrong when it closed O's account without notice.

The investigator looked at the information HSBC provided about why it had closed O's account without notice. She said that HSBC hadn't caused any delays in releasing O's closing balance. But he didn't think HSBC had treated O fairly and thought HSBC should have given O more notice when it closed its account. So, she asked HSBC to pay O £100 compensation for the inconvenience caused by closing its account without notice.

Mr V accepted the investigator's view. HSBC disagreed and asked for an ombudsman to review the complaint. It said it acted in line with the terms and conditions of O's account when it had closed the account.

As no agreement could be reached the matter has come to me to decide.

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.

As the investigator has already explained, HSBC has extensive legal and regulatory responsibilities they must meet when providing account services to customers. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime. Having reviewed all the evidence I'm satisfied that HSBC were acting in line with its legal and regulatory obligations when it restricted O's account in October 2022. I understand not having access to O's account caused O inconvenience, but it wouldn't be appropriate for me to award O compensation since I don't believe HSBC acted inappropriately in taking the actions that it did when it blocked and reviewed O's account.

I next turn to HSBC's decision to close O's account. HSBC can close accounts in certain circumstances, and it sets this out in the terms and conditions of accounts. I've looked at the terms relating to O's account, and they state the bank can close an account immediately – or give notice of around two months. HSBC closed O's account immediately.

Having reviewed all the information HSBC has provided, I would expect to see stronger evidence than HSBC has provided about why it closed O's account immediately. I say this because it seems HSBC has relied on Mr V's connection with N – but based on the information I've seen Mr V hadn't had any involvement with N since November 2020 – two years prior to O's account was closed. So, I don't think it's fair for HSBC to rely on this information.

I've also looked at O's account activity and there's no evidence to suggest O dishonestly procured the funds going through the account – HSBC also didn't ask Mr V about O's account activity. HSBC has argued had it done this it could have breached proceeds of crime legislation, but I don't agree. Asking a customer to explain or evidence their entitlement to funds doesn't require a business to disclose information that they hold or are aware of. Taking all of this into account, I have seen nothing that convinces me an immediate closure was warranted or permitted under the terms and conditions. Having looked at what's happened here, I think HSBC should have given O more notice.

Looking at the impact the immediate closure had on O, I think HSBC should pay O £100 compensation for the inconvenience caused. I say this because Mr V had to quickly rearrange direct debits that were set up on the account. When reaching this award, I've noted that Mr V appears to have had another business account for O, so I think the impact of the immediate closure would have been reduced. I know Mr V has also said he suffered distress and upset when HSBC closed O's account. I'm certainly not disputing that directors' can be distressed. But I have no power to award compensation for this where the entity entitled to bring the complaint, as in this case, is the company.

Finally, Mr V says HSBC took too long to release O's closing balance. He also says that he wanted the bank to transfer the funds to another account rather than issue a cheque for the balance. HSBC closed O's account on 15 November 2022 and in line with its processes issued a cheque for the closing balance of just over £1,100. I haven't seen any evidence that Mr V asked for the money to be paid via a bank transfer. In fact, I note that Mr V didn't contact HSBC until 12 December 2022, asking for a bank transfer instead of a cheque – which means he had the cheque for nearly a month but hadn't cashed it. So, I'm satisfied that HSBC released O's balance in a timely manner and didn't cause any undue delays.

In summary, based on all the evidence I've seen, I think HSBC should pay O £100 compensation for unfairly closing O's account without notice.

My final decision

My final decision is that I partly uphold O's complaint. To put things right HSBC UK Bank Plc should:

- Pay O £100 for the inconvenience caused by closing O's account immediately

Under the rules of the Financial Ombudsman Service, I'm required to ask O to accept or reject my decision before 25 December 2023.

Sharon Kerrison
Ombudsman