

## **The complaint**

B, a charity, complains that HSBC UK Bank Plc delayed a review of its account, allowed fraudulent transactions, and wrongly closed it.

## **What happened**

B is a small charity which works on educational projects in Africa. It has been represented in bringing this complaint by one of its coordinators, Miss A. She has explained that the charity is staffed by volunteers, not employees.

From around early 2021 HSBC began a regulatory review of B's account with it. That review included obtaining information from B about its operations and about a large number of specific transactions.

In February 2022 HSBC decided that it would close B's account. It wrote to the charity to say that the account would be closed on 21 April 2022 – that is, after a little more than two months.

During the course of the account review, it became apparent that a large number of direct debit payments had been taken over the previous two years. They included payments to a utility company which B mistakenly believed to relate to bank charges.

HSBC said that it would make refunds of all the disputed direct debits under the direct debit guarantee scheme and agreed that it would delay the account closure until that issue had been resolved and refunds made to the account.

In the event, the account was closed as planned on or about 21 April 2022; the balance was paid to an account which B held with a German bank.

However, not all of the disputed direct debit payments had been refunded. Payments of a little over £660 had not been re-credited to the account before it was closed.

Following further discussions, HSBC made a transfer of the remaining refunds; it also paid B a further £200 in recognition of the inconvenience to which it had been put.

Miss A did not think that went far enough and referred B's complaint to this service. She said that the account review had taken too long – around 14 months – and that HSBC had not adequately protected the account. In addition, B had been left without access to funds. She said that the compensation of £200 was insufficient in the circumstances.

One of our investigators considered what had happened. She recommended that the bank pay a further £100 to resolve the complaint – making a total of £300.

HSBC agreed to the investigator's recommendation, but Miss A did not and asked that an ombudsman review the case.

## **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, however, I've reached the same overall conclusion as the investigator did, and for similar reasons.

It is a regulatory requirement that banks carry out reviews of customer's accounts. What is necessary will depend on the circumstances, and banks have a degree of discretion in how they carry out such reviews. They should however be reasonable and proportionate. I appreciate that the review in this case will have taken up the time of volunteers working for a small charity; this was not an organisation with a well-resourced finance department. I do not believe however that I can properly say that the bank's review was disproportionate. In saying that, I note that a large number of previously unidentified fraudulent payments came to light during the course of the review.

It is unfortunate that not all of the direct debit refunds had been made before the account was closed. They were however made within a reasonable time after that.

Finally, I do not believe that HSBC was responsible for the fraud on the account or that it was the result of any failure on the part of the bank to monitor it. The main protection which customers have from unauthorised direct debit payments is through the direct debit guarantee; generally, that means that any disputed payment is refunded without the need for investigation – in contrast to many other types of payment.

## **Putting things right**

The investigator thought that HSBC should pay B a further £100, and HSBC agreed to do so. I will however make a formal award, so that B can enforce it, should that be necessary.

## **My final decision**

My final decision is that, to resolve B's complaint in full, HSBC UK Bank Plc should pay it a further £100, in addition to the £200 already paid.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 11 October 2023.

Mike Ingram

**Ombudsman**