

The complaint

Mr B and Ms V complain that HSBC UK Bank Plc blocked access to their account, which they needed to pay rent and for a house.

What happened

Mr B and Ms V bank with HSBC. In June 2021 they discovered HSBC had applied a block to their account, preventing any transactions taking place. The bank asked for information about the credits into the account – and Mr B and Ms V supplied them with information about income from student loans, and HMRC.

But the account remained blocked. Ms V raised a complaint – but HSBC responded to say they periodically conduct reviews of accounts. They apologised for the inconvenience but could not provide a timescale on how long the review would take. They did say any salary or benefits could be withdrawn if they attended branch with photo ID.

Unhappy with this Mr B and Ms V referred their complaint to our service. HSBC unblocked the account in December 2021. One of our investigators looked into the complaint and thought it should be upheld in part. They said HSBC had legal and regulatory obligations to fulfil, and in this case, HSBC had acted in line with those obligations. She felt there was a delay in releasing the account, but most of this was down to a delay in response from HMRC. But she felt HSBC could have contacted the student finance company sooner, which would have led to the release of these funds earlier. She suggested HSBC pay 8% simple interest on the student finance funds for the period of the block, along with £100 compensation for the inconvenience.

Ms V didn't accept this as an outcome, saying that the compensation doesn't reflect the distress caused at having to visit the branch to withdraw funds.

The investigator later revised their opinion – saying that by the time the account had been blocked the funds from the student finance had been used up. So, there was no balance to withdraw, or an amount to award 8% interest on. She decided she had no basis to award the 8% interest, or the £100 compensation.

As no agreement could be reached the complaint was passed to me to decide.

The investigator is right to point out that HSBC have legal and regulatory obligations to fulfil when providing accounts. Part of this includes monitoring accounts and understanding how these accounts are being used. This can mean, on occasion, the bank may need to ask for information about the source of funds in the account. There is provision for this in the terms of Mr B and Ms V's account. It isn't unreasonable in itself for HSBC to have asked them for further information about the payments into the account, including those from HMRC and for student loans.

It also isn't unreasonable for HSBC to block an account while it is under review. Again, there is provision for this in the terms of the account. HSBC did allow certain credits, such as wages to be taken in branch. I appreciate what Ms V has told us about how inconvenient it

was to travel to branch, and I sympathise with the situation she was in. But I don't see that HSBC have done anything wrong by applying the block. I've also considered what she's said about having poor experiences in the branch, but I've not seen any further evidence to support this. But I accept this would be a frustrating experience for her.

Having reviewed the statements I'm satisfied that at the time the account was blocked the funds from the student loans had either been spent or transferred to a saving account which continued to earn interest through the period of the block. So, I can't say Ms V or Mr B lost the use of those funds during the block. I also understand they were able to open accounts elsewhere, albeit after several weeks.

Once HSBC received further information from Mr B and Ms V about the credits, they went to check with the respective source of funds. In this case there seems to have taken longer than I think is reasonable for HSBC to enquire about the funds with HMRC – about two months. I note that HMRC themselves didn't respond until December 2021 – so the long delay in removing the block isn't down to the actions of HSBC. But I've not seen anything to suggest HSBC were being proactive in following this up, which is what I'd generally expect to see. I can't say with any degree of certainty that this will have prompted a response from HMRC sooner, or that the account would likely have been unblocked earlier. But I do think this delay was unfair to Mr B and Ms V.

One HSBC did receive a response the block was removed promptly, and I can see from the statements Mr B and Ms V made use of the account.

Overall, while I accept Mr B and Ms V will have found this to be a difficult and frustrating experience, I can't say HSBC were solely responsible for the long delays before they had access to their account again. But I accept that HSBC delayed matters initially, which will have caused additional inconvenience. On that basis I'd ask them to pay Mr B and Ms V £100 compensation.

HSBC confirmed they had nothing further to add. Ms V responded to say that they couldn't make use of the rest of the money in the accounts, including the savings account. She felt she should receive 8% interest on the full amount held with HSBC.

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, I remain satisfied with the conclusions reached in the provisional decision. I'm satisfied it was reasonable for HSBC to block Mr B and Ms V's accounts while they carried out a review, in line with their legal and regulatory requirements. I do agree this review went on too long, but from I've seen this isn't solely down to the actions of HSBC.

HSBC certainly could have been quicker in sending off their requests for information to HMRC and student finance. But the subsequent delays are due to a lack of response. I appreciate this would have made things more difficult for Mr B and Ms V, but I can't see this was solely down to the actions of HSBC. As such, I can only reasonably award compensation for the errors I feel they made in handling this block – which are the delays in requesting information, and not being proactive in chasing a response.

I've considered what Ms V has said about the other sources of income on the account – but I can also see from the statements that the wages paid into the current account were withdrawn. There would be no interest due on these as they had access to them.

The funds in the savings account continued to be paid interest at the agreed account rate. Funds are usually held in a savings account when they're not needed to meet day-to-day costs or aren't expected to be made use of imminently. And in this case Mr B and Ms V haven't shown they needed the funds in the savings account for any specific purpose in the time the account was blocked. And in any event, I've found the block of the accounts to be reasonable at the time. So, therefore I don't see it reasonable to ask HSBC to pay 8% interest on the funds held.

That being said, I remain satisfied that HSBC could have been more proactive while the block was applied, and I can see how this will have increased the inconvenience to Mr B and Ms V. For this reason, I'm satisfied that they should pay Mr B and Ms V £100 compensation.

My final decision

My final decision is that HSBC Bank UK Plc must pay Mr B and Ms V £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C and Ms V to accept or reject my decision before 14 August 2023.

Thom Bennett
Ombudsman