

The complaint

Mr S complains that HSBC UK Bank Plc blocked and later closed his accounts including his personal loan account. He had to repay his loan. He would like compensation for the inconvenience and misinformation.

What happened

Mr S had a current account, a saving account and a loan account with HSBC.

Following a review HSBC blocked his account. Mr S says he had to set up new direct debit payments to service his loan agreement with HSBC – he told us this was inconvenient.

HSBC decided to close Mr S's accounts in September 2021. Under the term of the original loan his loan became payable. Mr S said he had to find another loan to pay off his HSBC loan. Mr S has told us this was inconvenient.

Mr S has said HSBC provided him with confusing information regarding the balance outstanding on his loan. Mr S thought he had cleared the loan, but the bank thought he still owed them money. His account was still showing an outstanding balance.

HSBC finally closed the account in December 2021.

Mr S raised a complaint. HSBC said he had overpaid the loan and refunded him the amount as well as his current account balance.

Mr S was unhappy that HSBC had decided to close his account and he brought the complaint to our service. He wanted compensation for the way he had been treated.

Whilst the case was with us HSBC made an offer to Mr S of £150 for the delays he had experienced. Mr S didn't accept the offer. One of our adjudicators looked at the complaint, he thought the offer of £150 was fair in the particular circumstances. He also said HSBC had rectified the issue regarding his loan account by refunding him the difference and the balance of his current account.

Mr S said he thought compensation should be around £1,000.

As there was no agreement 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.

Account review and block

I'll start by setting out some context for the review of Mr S's account. UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there

may be penalties if they don't. This applies to both new and existing relationships. These obligations override all other obligations. I am satisfied HSBC were complying with these obligations when they reviewed Mr S's account.

I can see that in blocking the account the bank were following an internal process which they carried out in order to comply with their legal and regulatory obligations. This was a legitimate exercise so I can't say HSBC was unfair.

Account closure and reason

HSBC decided to close Mr S's accounts and sent him a notice to close letter dated 29 September 2021. His account remained blocked.

It's generally for banks to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a good reason to do so, this service won't usually say that a bank must keep a customer or require it to compensate a customer who has had their account closed.

I've considered whether HSBC acted fairly in closing Mr S's accounts. I've looked at the terms and conditions of his accounts and I'm satisfied they did. The terms and conditions outline that the bank can close a customer's account with two months' notice, and in certain circumstances they can close an account immediately. In this case HSBC closed Mr S's account without notice. For HSBC to act fairly here they needed to meet the criteria to apply their terms for immediate closure – and having looked at these terms and all the evidence I'm satisfied that the bank has applied the terms fairly. And it was entitled to close the accounts as it's already done.

I understand Mr S wants HSBC to explain the reason it applied the block to his account and subsequently closed it. And provide him with the information it relied on to do so. But HSBC doesn't disclose to its customers what triggers a review of their accounts. And it's under no obligation to tell Mr S the reasons behind the account block, as much as he'd like to know. So, I can't say it's done anything wrong by not giving Mr S this information. And it wouldn't be appropriate for me to require it to do so.

Loan account

Mr S has said he had to find another institution to loan him the money to clear his HSBC loan before the closure date. I have already said that the account closures were fair, so I'm satisfied HSBC did nothing wrong when they called in the loan.

Mr S has said he was able to arrange a new loan and pay off the HSBC loan. However, he was given conflicting information regarding whether the loan had been repaid in full or if there was outstanding amounts still due.

I can see from the information provided by HSBC that Mr S received a letter requesting payment of the outstanding loan balance when he had already paid the amount outstanding.

It is also clear that Mr S had to contact the bank on a number of occasions to try and sort out paying off the loan and to query issues around the outstanding amount.

I appreciate that receiving conflicting information about a loan would be stressful for Mr S as he wouldn't know if his credit file would be affected by the non-payment or if he had cleared

his loan debt.

HSBC have confirmed that Mr S has settled his loan account in full. And HSBC have offered £150 in compensation for the errors made and for the late closing of the account. I've looked at the number of times Mr S had to contact the bank and try to clarify the situation regarding the outstanding balance, and I think the offer made by HSBC is fair. I know Mr S has said he wanted £1,000 compensation. I appreciate that he will be disappointed with the compensation I am proposing to award. But I think the £150 already offered better reflects the inconvenience Mr S endured and is in line with our approach on these cases.

Putting things right

HSBC should pay Mr S £150 compensation.

My final decision

For the reasons stated above I uphold this complaint. I direct HSBC UK Bank Plc to pay Mr S £150 compensation for his material distress.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 22 August 2023.

Esperanza Fuentes
Ombudsman