

The complaint

V, a limited company, complains that HSBC UK Bank Plc decided to close its account after sending letters to the wrong address.

What happened

V says it found out in June 2023 that its account had been restricted and was going to be closed. V explains that HSBC had sent letters and requests for information to its business address which was 'care of' its accountant. And who hadn't been working from that office. V was told that it would take four to six weeks to receive the balance on the account if it did close. And so, it went through the process of updating the details. V couldn't access its funds.

HSBC said it needed to ask V for information about its business to complete a 'safeguard' review to meet regulatory requirements. But it accepted that it had made a mistake. V had set a correspondence address on its app. But due to a known issue this wasn't reflected in the system. And so, it sent letters to the business address it had been given for V and it didn't receive any returned mail. When V discovered this and tried to update the details it sent a one-time passcode using an incorrect number. The account was restricted from 20 June until 10 July 2023. It paid V £150 in compensation and when it sent its business file to this service offered to pay a further £150 to take into account that direct debits hadn't been reinstated.

Our adjudicator didn't recommend that HSBC do more than it had now offered to do. HSBC needed to complete the review and it followed its process in restricting the account. But it accepted that it had made mistakes and offered compensation for this.

V didn't agree and wanted an ombudsman to review the case. The compensation wasn't fair and didn't take into account the impact and consequences of not having an account. HSBC was at fault here and it hadn't been ready to give access to the funds so these could be transferred to another account. HSBC should have tried alternative communication. V wasn't able to pay its corporation tax, employee salary and expenses. The director of V explained that he borrowed money from friends as a result. During this time HSBC accepted payments into the account but didn't allow access which showed where its priorities were. The compensation wasn't sufficient to reflect what had been involved.

My provisional decision

I issued a provisional decision on 25 September 2023. I set out below what I said.

HSBC reasonably needed V to provide information as part of the safeguard review. It has shown that it sent V a number of letters and set out the consequences of not responding. It gave notice that the account would be closed.

Letters went to the business address for V, and I noted from public records that this remains the registered office address of the company. V has explained that this is the office of its accountant. It isn't clear what happened to these letters as they weren't returned to HSBC as undelivered. But it isn't in dispute that V had set a different correspondence address on the app, and this wasn't reflected in HSBC's records and that this was a 'known issue' generally.

The director of V contacted HSBC as soon as the account was restricted. A one-time passcode to allow V to update the details was sent to the wrong number. And this wasn't corrected until five days later. V responded quickly when it knew about the request and the account was reopened. It is a matter for HSBC to determine what that process is and how it goes about allowing access to funds in the account. I wasn't clear it would have been helpful had it rejected payments made to V during that period.

My assessment

I took into account that V is a limited company that can't suffer distress. So, I was looking at inconvenience and any evidence of financial loss. I noted that the director of V was able to mitigate the impact of what happened for V as I'd expect. And that there did seem to have been the opportunity for V to receive the letters sent over several months to its registered address. In any event it didn't receive them and when it found out what happened acted promptly to deal with the issue and requirements. I didn't have anything to support that there was a financial loss to V.

I wasn't minded to think that the compensation of £300 in total was sufficient to reflect the impact. With a view to mediating a settlement I'd asked our adjudicator to contact HSBC to see if it would agree to pay a total of £500. It offered to pay this, and our adjudicator contacted V to see if this would be acceptable. But didn't get a response. So, I issued a provisional decision and I considered that £500 is a fair level of compensation to take into account everything that has happened.

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.

V confirmed to our adjudicator that it had received the provisional decision. It didn't make any further comments and nor did HSBC.

That being the case I see no reason to depart from the conclusions of my provisional decision and for the reasons I've already given.

My final decision

My decision is that I uphold this complaint and require HSBC UK Bank Plc to pay V a total of £500 (and which includes the £150 it says it has already paid).

Under the rules of the Financial Ombudsman Service, I'm required to ask V to accept or

reject my decision before 21 November 2023.

Michael Crewe
Ombudsman