

## **The complaint**

A company I'll call M complains that HSBC UK Bank PLC (HSBC) blocked then closed its account, before recalling its Bounce Back Loan (BBL). HSBC also used part of the account balance to offset against the BBL and retained the rest of the funds in the account.

To put things right, M wants HSBC to reinstate the BBL, return the account balance of £100,000 to M, and pay £75,000 in compensation.

M is represented by its director, Mr M.

## **What happened**

In May 2020, M applied for a BBL in the sum of £50,000. The application was approved and the funds were paid to M's account. On 25 March 2022, HSBC blocked M's account, while it carried out a review. The block meant M couldn't make or receive payments, so M called HSBC to complain. HSBC responded to the complaint on 29 June 2022 saying it was acting correctly and that it would contact him when it had completed its review.

When HSBC completed its review, it wrote to M again, this time on 5 July 2022. It told M that it no longer wished to bank with M and would close its account, and that it would retain the funds in the account in order to comply with its legal and regulatory obligations. It also confirmed that £29,875.92 of the account balance had been used to pay down the BBL, which it had called in.

HSBC wouldn't change its mind and refused to release the funds in the account to M, so Mr M brought the complaint to our service. However, after reviewing the complaint our Investigator didn't uphold it. She was satisfied that HSBC had acted in line with its legal and regulatory obligations as well as the terms of M's account. So she didn't ask it to return the account balance to M.

Mr M didn't accept our investigator's findings, so he asked for an Ombudsman to review the matter afresh.

## **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.

Firstly, I should say that I'm aware I've summarised the events of this complaint in far less detail than the parties, and that I've done so using my own words. The reason for this is that I've focussed on what I think are the key issues here, which our rules allow me to do.

This approach simply reflects the informal nature of our service as a free alternative to the courts. And I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome in this case. So, if there's something I've not mentioned, it isn't because I've ignored it, and I must stress that I've considered everything both Mr M and HSBC have said, before reaching my decision.

### *Account block*

All banks in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. That sometimes means they need to restrict customers' accounts while they carry out a review.

And, having looked at the evidence, I'm satisfied HSBC acted in line with its legal and regulatory obligations when it blocked M's account. And that it was entitled to do so under the account terms and conditions that governed the relationship between HSBC and M.

I've looked at the evidence HSBC provided our service and I'm satisfied its review was reasonable and proportionate, and I've seen no error on HSBC's part.

### *Account closure*

A bank is entitled to close an account with a customer, so long it does so in a way that complies with the terms and conditions of the customer's account.

The terms and conditions of M's account – with which both HSBC and M had to comply – say that HSBC could close the account by giving 2 months' notice, or immediately in certain circumstances.

HSBC's letter dated 5 May 2022 informed M its account would be closing, but didn't provide advance notice and stated that the account would remain blocked pending closure. HSBC has explained the reasons it closed the account to our service, and provided evidence in support of its decision, and I'm satisfied that those reasons gave rise to a right to close the account without notice.

HSBC isn't obliged to disclose the reasons for its decision to M and I see no reason to compel it to do so in the circumstances of this particular complaint.

### *Bounce Back Loan*

HSBC told our service it was entitled to withdraw the BBL in accordance with the terms and conditions of the loan. And it set out the extent of the review it carried out in determining whether it should recall M's loan. I accept the terms of the BBL entitle HSBC to recall the loan in certain circumstances, but our service would expect to see justification for a recall to ensure HSBC has treated its customer reasonably, so HSBC's discretion in this regard is not unfettered.

With that in mind, I've looked at the evidence HSBC sent our service, to understand why it recalled the loan, and whether or not it treated M fairly in doing so. HSBC conducted a thorough review and I'm grateful for the evidence it provided our service to support its decision to recall the loan on this occasion.

Because HSBC isn't obliged to disclose the reasons for its decision to M, I won't go into detail about the rationale I have seen, nor why I consider that rationale was justified. But simply, I've carefully considered the information HSBC provided our service and I'm satisfied it was reasonable to recall the loan in the circumstances of this particular case.

The BBL agreement also allows HSBC to use funds in M's account to pay down the amount owed under the terms of the BBL, and given what HSBC has told our service about its findings during its review, I'm satisfied that HSBC was entitled to use part of M's balance to offset the BBL debt.

It follows then that I won't ask HSBC to reinstate the BBL or refund the money it used to pay off part of the amount due.

### *Account funds*

I'll start by setting out some context for the review of M's account. As I say, UK banking regulations and legislation place extensive obligations on regulated financial businesses to have suitable systems in place for transaction monitoring. And there are times when a financial institution will need to block a customer's account in order to carry out a review of the account activity and of the institution's relationship with its customer.

In order to meet these requirements, HSBC must have measures in place to review payments that pass through its customers' accounts. And retain such payments if it deems it necessary to do so in order to meet its obligations. It is not for our service to tell HSBC when it should or shouldn't do so, rather our role is to assess the actions it has taken and weigh the evidence it relied on to determine whether or not it has treated its customer fairly.

With that in mind, I've looked at the evidence HSBC has shown our service, and I've thought about what Mr M has said in reply. And having done so, I'm satisfied HSBC is entitled to retain the balance of £100,000 and I've seen no basis on which I might reasonably tell HSBC to send the funds in the account to M. Given the sums involved, this is not a decision I've taken lightly. But HSBC's evidence and rationale is compelling and I'm not persuaded it should release the funds to M.

I appreciate it will be frustrating for Mr M that HSBC hasn't disclosed the reasons for its actions, but given the sensitive nature of the regulations with which HSBC is complying, it's not appropriate for me to tell HSBC to explain itself.

Because I'm satisfied HSBC has made no errors and has acted as it is entitled to do, it follows that I won't ask it to take any further action to put things right for M.

### **My final decision**

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 22 March 2024.

Alex Brooke-Smith  
**Ombudsman**