

The complaint

O, a limited company complains that HSBC UK Bank Plc unfairly blocked and closed its account. O also says HSBC haven't released money paid into the account.

O is represented by its director, Mr K.

What happened

The detailed background of this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

O had a business account with HSBC, which was opened in January 2022.

In April 2022, a payment of just over £72,0000 was made into O's account, from a business I will refer to as N. Following this HSBC decided to review O's account. Whilst it completed its review HSBC blocked O's account. HSBC contacted Mr K and asked him about the payment and to provide proof of his entitlement to the funds he'd received from N.

In response, Mr K provided HSBC with an invoice he issued to N showing he'd sold around 300 computers and received just over £72,000 as payment. HSBC reviewed the information but said it wasn't enough to show that O was entitled to the funds.

Mr K was unhappy and explained that he needed the funds in O's account to be able to run his business. Over the next few months Mr K visited a branch on five occasions and made several phone calls trying to gain access to the money in O's account and to find out how long the bank would take to complete its review. In August 2022, in an attempt to gain access to the funds Mr K asked HSBC to close O's account, but HSBC said it wasn't possible to do this whilst it was still completing its review.

Mr K complained to HSBC. In response, HSBC said that it hadn't done anything wrong when it had blocked and reviewed O's account. However, it accepted it should have provided Mr K with better service when he visited a branch – it said it should have been clearer with Mr K about how long things would take and that it wasn't possible to give him a timeframe. HSBC apologised and paid Mr K £100 compensation.

HSBC completed its review in July 2023 and wrote to Mr K to let him that following its review it had decided to close O's account. HSBC said it believed Mr K wasn't entitled to the money that had been paid into O's account and that this would be retained by the bank in order to comply with its legal and regulatory obligations. Any remaining money would be sent to Mr K by cheque.

Unhappy with this, Mr K brought his complaint to our service where an investigator looked into what had happened. The investigator reviewed everything and asked Mr K to provide further information about his entitlement to the funds paid into O's account. Mr K sent the investigator an invoice made out to N dated December 2023, a copy of a bill showing O purchasing the computer equipment dated 28 March 2022 from a business I will refer to as

S, and some emails between Mr K and S dated March 2023. All of which he said showed he was entitled to the money HSBC was still holding.

After reviewing all the evidence and circumstances the investigator thought HSBC hadn't done anything wrong when it had blocked and closed O's account. And said it had done so in line with the account terms and its legal and regulatory obligations. He also said that he hadn't seen enough evidence to show that HSBC had done anything wrong in retaining the funds in O's account. He didn't think the bank should release the money it was holding back to O.

Mr K disagreed. He said he hadn't done anything wrong and needs the money paid into O's account released. He says HSBC took far too long to complete its review, which he says caused him stress, impacted his mental health, and made running his business impossible. So much so that he has since given up running his own company.

As no agreement could be reached 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.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from financial businesses as confidential for a number of reasons – for example, if it contains information about other customers, security information or commercially sensitive information. It's then for me to decide whether it's fair to rely on evidence that only one party has seen. It's not a one-sided rule; either party to a complaint can submit evidence in confidence if they wish to, and we'll then decide if it's fair to rely on it. Here, the information is sensitive and on balance I don't believe it should be disclosed. But it's also clearly material to the issue of whether HSBC has treated O fairly. So, I'm persuaded I should take it into account when deciding the outcome of the complaint.

I can see Mr K feels very strongly about O's complaint. That's clear from what's he's said to us and to HSBC. Whilst I appreciate Mr K's frustration and how this matter has impacted him and O, it's important to point out that the only thing in question here is whether HSBC has done what it should have done. I think it has and I'll explain why.

I'll deal first with HSBC's decision to block O's account. HSBC has extensive legal and regulatory responsibilities they must meet when providing account services to customers. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime. It's the bank's duty to reasonably ensure accounts are being used in the way they should and to protect the money which is held in them.

Having reviewed all the evidence I'm satisfied that HSBC were acting in line with its legal and regulatory obligations when it restricted O's account in April 2022 and asked Mr K to provide information. I've also kept in mind that O's account had been recently opened and the payment it received from N was a large amount – far in excess of O's expected £36,000 turnover. So, overall, I don't think it was unreasonable for HSBC to block and review O's account.

I understand not having access to O's account caused O and Mr K inconvenience, but it wouldn't be appropriate for me to award O compensation since I don't believe HSBC acted inappropriately in taking the actions that it did when it blocked and reviewed O's account.

Mr K wants the money paid into O's account by N released to him. He says he is entitled to the funds and received the money as payment for selling computer parts. As part of their

review, HSBC asked Mr K for detailed information about the payment he received on 1 April 2022 from N. I've reviewed the information Mr K provided HSBC along with the documents Mr K provided the investigator. And having done so, I agree, with the investigator, that the information Mr K submitted isn't enough to show he was entitled to the money that had been paid into O's account. Because of that, I can't fairly conclude HSBC should release the money back to Mr K, because I'm not satisfied that O is entitled to the funds.

Mr K has said that HSBC took far too long to complete its review. And he wants compensation for the amount of time things took. I've looked at the information HSBC has provided about what it was doing as part of its review. And I've taken into consideration what Mr K has provided about the money paid into O's account.

I recognise the overall time this situation took. And I accept that O's account was blocked for a long time. But I do not consider that it would be right for me to conclude it should not have taken in excess of any particular or specific timeframe. Because the bank was entitled – as a matter of principle – to do what it did.

After considering what Mr K has said and the content of HSBC's review, I don't find awarding Mr K compensation would be fair or appropriate. I understand Mr K would naturally want to know the information I have weighted in order to reach this finding. But as I've set out already, I am treating this information in confidence, which is a power afforded to me under the Dispute Resolution Rules (DISP), which form part of the Financial Conduct Authority's regulatory handbook.

Accordingly, I have accepted information in confidence which I am not disclosing to Mr K. And the description of that information is that it's of a nature which justifies HSBC's review, and which has led me to decide that awarding Mr K compensation would not be a fair or appropriate outcome for any of the matters he has brought as part of this complaint.

So, I'm not requiring HSBC to compensate Mr K for any inconvenience that he as director of O, may have experienced as a result of the time taken by HSBC carrying out its review, and the further dissatisfaction he experienced which ultimately flowed from not having access to the funds in O's account, including his unhappiness with HSBC's communication and the information it didn't provide him.

I'll next deal with HSBC's decision to close O's account. Sometimes following a review, a bank will decide to close an account. HSBC is entitled to close an account with O just as O is entitled to close its account with HSBC. It's generally for banks and financial businesses to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a very 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.

As long as they reach their decisions fairly, it doesn't breach law or regulations and is in keeping with the terms and conditions of the account, then this service won't usually intervene. But before HSBC closes an account, they must do so in way which is fair and complies with the terms and conditions of the account. I've looked at the terms and conditions and they state that HSBC could close O's account by giving at least two months' notice. And in certain circumstances it could close the account immediately.

In this case HSBC closed O's account without notice in July 2023 – however I consider the account was closed in April 2022 as since that date HSBC blocked the account. So O wasn't able to use the account. 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

that the bank has provided, I'm satisfied that HSBC did. So, it was entitled to close the account as it's already done.

I've then gone on to consider whether the bank's reasons for closing the account was fair. This can be due to a number of reasons and a bank isn't obliged to give a reason to the customer. HSBC has provided some further details of its decision making process, I'm sorry but I can't share this information with Mr K due to its commercial sensitivity. But I've seen nothing to suggest HSBC's decision around closing O's account was unfair.

In summary, I realise Mr K will be disappointed by my decision. But having looked at all the evidence and circumstances of this complaint, I can't conclude that HSBC have treated O unfairly. So, I won't be telling HSBC to do anything to resolve O's complaint.

I note that Mr K has indicated that he may wish to pursue the matter through other means, I can't advise him on how to go about doing that, but my decision brings to an end what we – as an informal dispute resolution service can do for him and O.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask O to accept or reject my decision before 6 May 2024.

Sharon Kerrison
Ombudsman