

The complaint

P, a limited company, complains that HSBC UK Bank Plc unreasonably blocked and then returned a payment into the account. They'd like the funds returned to them, and to be compensated for the inconvenience.

What happened

P is represented by its director, Mr C. In November 2022 it received a payment of approximately £19,000 from a customer in Russia. But HSBC blocked the payment, and asked P for more information about the payment, and complete their sanctions questionnaire. Mr C spoke to HSBC the next day and filled in the questionnaire. But HSBC instead returned the payment to the sender.

Mr C complained to HSBC on behalf of P. The bank responded to say that they were complying with the laws and regulations in asking further questions about the payment – but could not provide a specific explanation of what happened with this payment.

Unhappy with this answer Mr C referred P's complaint to our service. HSBC initially said they'd returned the payment as they hadn't received information they requested from P. Our investigator pointed out that HSBC had a record of speaking to Mr C about the payment, and any information could have been requested then. HSBC accepted that whoever took this information failed to pass it on to the correct team – so offered £400 in compensation for this error. Mr C declined this offer, saying HSBC should guarantee that if their customer made the payment again it would credit P's account, or HSBC should cover the full amount. HSBC said they couldn't guarantee the payment would credit, as they would still need to carry out checks.

Our investigator thought HSBC's offer of £400 was reasonable. They said that HSBC had a right to review the payment and ask further questions of it. But they felt even if Mr C's information had been passed on, it was likely the bank would have needed more evidence before releasing the payment to P, and it's still possible they would have rejected the payment. The investigator also felt that as P hadn't asked their customer to resend the payment, they hadn't done enough to mitigate any losses to them. But they accepted that HSBC had made errors, and this had caused inconvenience to P in having to chase up the issue with HSBC. For this reason, they thought the offer was fair.

Mr C though rejected this, saying that their goods had been exported legally with no issues. He said that he had tried to mitigate the situation by complaining to HSBC and subsequently to our service. But this didn't change the investigators mind. As no agreement could be reached, the complaint has been passed 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.

Firstly, it's right to say that HSBC, like all regulated financial firms in the UK, have numerous legal and regulatory obligations to meet when providing accounts to their customers. These obligations mean that on occasion they may need to investigate how an account is being used, and the nature of the payments made to and from the account. During this investigation the bank may need to restrict access to an account or withhold payments. The bank can also decline to credit payments to an account if they can't be certain of the recipient's entitlement to the funds. There is provision for this in the terms of P's account.

HSBC aren't under any specific obligation to explain the nature of any review to P, and the response given to P doesn't expand on this in detail. But given where the payment came from, and that the bank asked Mr C to fill in their sanctions questionnaire, I think it's clear that HSBC had concerns about whether they'd be in breach of a sanctions regime.

This is a reasonable concern for HSBC, given the consequences if they are in breach. So, I don't see it as unreasonable that they held the payment and asked Mr C for further information. This is in line with their legal and regulatory obligations.

I can see from the information given to us that Mr C returned the sanctions questionnaire and had provided answers already to HSBC. And the bank has accepted that this information wasn't passed on to the correct team. But the bank has subsequently confirmed they would still have requested further information from P before releasing the funds – such as the invoice and the commodity codes of the exports. HSBC didn't do so, and instead returned the funds to the sender. I also note the funds were returned before the original deadline set for Mr C to respond.

Clearly there's been an error on HSBC's part, and they didn't do enough to ask P for their proof of entitlement to these funds before returning them. But I'm also minded that's not clear cut that they would have accepted whatever evidence P would have provided at the time. As the process wasn't completed, I can't make a finding that HSBC would have likely accepted the payment and credited P's account.

There doesn't seem to be any indication P's customer has attempted to send the funds again, and it doesn't appear that P has asked them to. I've seen nothing to suggest the customer is unable or unwilling to send this payment again. I appreciate Mr C raised his complaint with HSBC, and with our service. But by this time the payment had already been returned to the sender. So, to mitigate the situation I would expect P to request payment again. Taking all these circumstances into account, I'm not persuaded it would be reasonable to say HSBC should return the payment in full to P.

I've considered Mr C's point that he'd like written confirmation from HSBC that the payment would be accepted. But I don't think it would be reasonable to expect HSBC to provide this without being allowed to complete their checks and processes.

But I accept there will have been some inconvenience to P in having to chase these funds up and providing information to HSBC that doesn't appear to have been considered correctly. It's appropriate that HSBC compensate P for this and having considered the full circumstances of the complaint I'm satisfied that £400 reflects the impact of this error.

My final decision

My final decision is that I uphold this complaint, and HSBC UK Bank Plc must pay P £400 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 14 June 2024.

Thom Bennett
Ombudsman