

The complaint

Mrs K complains that HSBC UK Bank Plc unreasonably blocked her accounts without explanation. She'd like to be adequately compensated for this.

What happened

The background to this complaint is well known to both parties, so I will cover it only briefly here. Mrs K holds accounts with HSBC – including a current account and a savings account. But on 28 August 2023 she found that she couldn't access the funds. HSBC said they were conducting a review of her account, in line with their legal and regulatory obligations.

HSBC asked Mrs K some information about funds paid into the account, and she explained this was from the sale of a property. HSBC subsequently completed the review and allowed access to the funds on 1 November 2023.

Mrs K complained to our service. She said that this had caused her difficulty getting treatment for her health conditions – such as paying for treatment and for medication. She said she couldn't attend several meaningful personal events. She was also concerned about the effect of the block on her business.

One of our investigators thought the complaint should succeed, in part. They said that HSBC had the right to block an account while they carried out an investigation, and they didn't have to explain why. But they said any review should be completed in a timely manner. They thought HSBC had enough information to complete the review by 2 October 2023 and didn't think there was a justification for keeping the account blocked past this point. They suggested that to resolve the complaint HSBC should:

- Pay 8% simple interest per annum on the balances in the accounts between 2 October 2023 and 1 November 2023.
- Pay Mrs K £250 for the inconvenience caused by the undue delay in removing the block

This was accepted by HSBC. Mrs K however did not agree, saying the entire block was unreasonable. She said she should be compensated for further losses to her.

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.

HSBC, like all regulated financial businesses in the UK, have legal and regulatory obligations to meet when providing accounts to their consumers. These obligations broadly say that the bank has a duty to monitor accounts and activity, to look for signs of fraud or financial crime, or that their consumer may be falling victim to financial harm. They also have obligations to ensure they are holding up-to-date and accurate information about these consumers.

Because of these obligations placed on the bank they may be required to conduct a review into how an account is being operated. And while they conduct a review, it may be necessary to block accounts and prevent any further transactions while they do so.

There is provision for this in the terms of Mrs K's accounts. HSBC aren't under any specific obligation to explain to Mrs K why a review is taking place, and in this case have declined to do so. But the rules of our service allow us to receive certain evidence in confidence if the ombudsman considers it appropriate to do so. In this case HSBC have given our service the reasoning for carrying out the review, and I'm satisfied they should remain confidential. I appreciate it will be frustrating for Mrs K that I cannot detail these in full. But, having reviewed the evidence available I'm satisfied that it was appropriate for a review to be carried out, and it was reasonable for HSBC to block Mrs K's accounts while they did so.

It's not always possible, or indeed sensible, to warn consumers of blocks before they're applied. So, HSBC haven't done anything wrong by this. I've also noted what Mrs K has said about a HSBC staff member saying the bank had no right to block the account. But that isn't correct, and in any case would have no bearing on the bank's decision to carry out the review. But I can see it would be frustrating to get conflicting information.

However, as blocking an account can have significant disruption to a person's day-to-day life, any underlying review should be carried out as quickly and efficiently as possible. In this case, I'm not satisfied that HSBC's handling of the review was as quick as it could have been.

Based on the evidence available, the review was conducted through September 2023, including Mrs K supplying relevant information about the payments into her account on 19 September. From the notes, it appears HSBC had the information relevant to their investigation by 2 October 2023. By this point the bank could reasonably have made a decision on what they wanted to do – but it isn't for almost another full month that the blocks were removed. When asked HSBC couldn't provide a justification for this delay, so I consider it to be unreasonable.

When a consumer has been denied access to money they should have had use of, its generally going to have an impact on a wide variety of financial decisions during that time. It's not possible for our service – as a quick and informal alternative to the courts – to go back and review every decision Mrs K will have taken between 2 October and 1 November, to work out what the true impact on her would be. Instead, our service generally will award 8% simple interest per annum to reflect the loss of use of these funds. This is also in line with the statutory interest rate on debt judgements. So, I'm persuaded this is appropriate in this instance.

The money Mrs K held in her savings account was already earning interest, so I've considered whether it's appropriate to award 8% interest on these funds. Mrs K has said she had plans to make use of these funds, and I've not been given a reason to doubt this. In this instance I see it's appropriate to award the 8% simple interest on the full balance she held with HSBC, rather than just the funds held in the current account.

I've considered what a reasonable level of compensation may be. As mentioned above, I'm satisfied that it was reasonable for HSBC to review Mrs K's accounts and block them while they did so, so I wouldn't look to compensate her solely for the inconvenience caused by this. The inconvenience flows from the reasonable actions of the bank. What I have considered though is the month of undue delay in unblocking the account.

Mrs K has sent us information about the impact on her – although I note that some of what she's submitted relates to a limited company of which she is the director. As the limited

company is a separate legal entity to her personally, I cannot consider impact on it. Mrs K has also sent us information about her medical needs, and personal events, that were impacted by the block on her account. But these largely seem to fall outside the timeframe where I consider the block to be unreasonable.

But I think it's clear that Mrs K is a vulnerable individual, and I'm satisfied this will have been known to HSBC by the time they had completed their review. So, the impact of a month-long delay to reopening her account would be greater. An additional month without access to her funds will only have increased the disruption and frustration faced. On that basis I see that £250 is a fair reflection of the impact of this error.

My final decision

My final decision is that I uphold this complaint and HSBC UK Bank Plc must:

- Pay Mrs K 8% simple interest per annum on the balances she held with the bank between 2 October 2023 and 1 November 2023 to reflect the loss of use of these funds. If HSBC considers they must deduct tax from this interest amount, they should provide her with a certificate showing how much was deducted, so she can reclaim this from HM Revenue & Customs, if appropriate
- Pay Mrs K £250 compensation to reflect the distress caused by the delay in releasing the account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs K to accept or reject my decision before 7 May 2024.

Thom Bennett
Ombudsman