

The complaint

Mrs J complains HSBC UK Bank Plc (“HSBC”) blocked her account for a prolonged period to that which she was told - causing her financial difficulty, distress, and inconvenience. Mrs J also complains HSBC later closed her account with immediate effect and has failed to return all the funds to her.

What happened

Both parties are aware of the facts of this complaint, so I will not set-out a detailed background here. Instead, I will set-out some of the key events and issues only.

Following a review, HSBC blocked Mrs J’s account in April 2023. Mrs J says she was told the restrictions would only apply for six weeks. As more than six weeks elapsed, and the account had not been unblocked, Mrs J complained.

HSBC didn’t uphold Mrs J’s complaint. In short, HSBC said it retains the right to review all accounts at any time and without prior notice. Nor is it obliged to give an explanation nor provide a timescale as to when the review will be completed.

Unhappy with HSBC’s response, Mrs J referred her complaint to this service. In September 2023, HSBC notified Mrs J that it was closing her account with immediate effect. A few weeks later, Mrs J was sent a cheque for the closing balance of a little over £10,700.

Mrs J says that she is owed more money by HSBC as she had been paid refunds by merchants which haven’t been included. One of our Investigator’s looked into Mrs J’s complaint, and they recommended it isn’t upheld. In summary, they said:

- HSBC acted in line with its legal and regulatory obligations, and its terms and conditions, when restricting and closing Mrs J’s account without notice
- HSBC took around four and a half months to review Mrs J’s account, and during that time it allowed any wages or benefits to be withdrawn. HSBC’s policy to allow such withdrawals was fair, but Mrs J didn’t have any wage or benefits paid to her
- HSBC has shown its investigations were ongoing throughout the period the account was blocked. So it hasn’t caused any unnecessary delays
- As HSBC acted fairly in restricting and closing Mrs J’s account, and in the way it carried out the review, it doesn’t need to do anything to put things right or pay any compensation
- HSBC has explained that any refunds made to Mrs J’s account after it was closed would bounce back to the remitter. That’s because a payment can’t be received into an account that has closed. Because of this, they are satisfied any payment made into Mrs J’s account after 4 September 2023 would have been returned to the sender. So HSBC isn’t withholding any funds from Mrs J

Mrs J didn’t agree with what our Investigator said. She explained she was in financial

difficulty because of HSBC restricting her account, and she missed several regular direct debit payments which adversely affected her credit score and resulted in missed payments charges.

She added that all the merchants she's contacted have said the refund payments into her accounts did not bounce back – and so the funds are with HSBC. Mrs J says she was told by HSBC's branch staff that some of her funds were sitting in a HSBC suspense account.

Our Investigator explained why they had not recommended any compensation be paid to Mrs J, especially as they didn't think HSBC had caused any avoidable delay. They also said they were satisfied any further refund funds were not with HSBC. Adding, the merchants may have provided proof that the refunds were processed, but this isn't the same as proof that the payments didn't later bounce back to the merchants.

They said Mrs J should take this up with the merchants and if they still say the funds are with HSBC, they should chase this up for her. And that they were happy to consider further evidence about this.

Mrs J sent in some further information for our Investigator to consider. Our Investigator also asked HSBC to send further comments and information to show it was not holding any funds for Mrs J that were refunded back to her. HSBC looked into this and maintained it had returned all funds.

As there is no agreement, this complaint has now 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.

As I've alluded to earlier, I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. 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. I do stress however that I've considered everything Mrs J and HSBC have said before reaching my decision.

Account review, restriction and closure

Banks in the UK, like HSBC, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

HSBC has explained to me and provided supporting information to show why it decided to review and restrict Mrs J's account. Having carefully considered this, I'm satisfied HSBC acted in line with its obligations when doing so.

Mrs J says she was told the review would take six weeks, but the restrictions remained in place for around five months causing her substantive difficulty. I don't undervalue in any way that having her account restricted in this way, especially considering the personal

circumstances she's explained, had on her. But after carefully reviewing and weighing up if HSBC acted without causing undue delay, I'm persuaded it didn't.

That means, even though Mrs J says she was told the review would take six weeks, the time it did take wasn't unreasonable nor unfair. That's because the concerns HSBC had, and the resulting investigations, warranted this.

I note Mrs J would have had access to any salary and benefits paid into the account. But this wasn't an option for her as her funds didn't come from these sources. Mrs J explains that some of her funds came from rent paid to her, but that doesn't explain the entirety. Given HSBC's concerns, and as it would have allowed access to funds from benefits and salary, I'm persuaded it hasn't done anything wrong here.

HSBC is entitled to close an account just as a customer may close an account with it. But before HSBC closes an account, it must do so in a way, which complies with the terms and conditions of the account.

The terms and conditions of the account, which HSBC and Mrs J had to comply with, say that it could close the account by giving her at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

HSBC has explained why it decided to close Mrs J's account immediately. On balance, I'm satisfied HSBC acted in line with its terms of account in closing Mrs J's account in the way that it has.

I know Mrs J would like a detailed explanation of why HSBC acted in the way it did. But HSBC is under no obligation to do so. I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information.

Some of the information HSBC has provided is information we consider should be kept confidential.

Compensation

Mrs J says this matter has caused her financial difficulty, distress, and inconvenience. She's also explained that due to a significant life event, the impact of what HSBC did was substantially exacerbated. As I've said already, I don't doubt nor undervalue the difficulty HSBC's actions have had on Mrs J.

But having looked at what's happened in this particular case, I see no basis on which I might make an award against HSBC given I don't think it's acted improperly or that it's done anything wrong. So I'm not going to ask HSBC to compensate Mrs J for any distress or inconvenience she's suffered.

Refund of funds after cheque issued by HSBC

HSBC maintain it isn't holding any funds that would have been refunded into Mrs J's account after it was closed. It adds that any refunds made in this way after closure would bounce back as the account no longer existed.

Mrs J says she's been told by the merchants that refunds were made, and they haven't been returned. She also says that a HSBC branch member has told her such refunds are sitting in a suspense account.

From most of the information I have, it doesn't appear as though HSBC are holding any further funds in the way Mrs J says. But one of the screenshot's HSBC has sent me from its internal systems shows some funds were returned to the originator whilst £245 was passed to 'Unclaimed balances'. This also appears to be after the account was closed. So I don't think this matter is clear or something I can make a finding on as part of this complaint.

I also note this isn't something Mrs J complained about when raising her complaint with HSBC. So I think HSBC need to investigate this and send her a response. To be clear, I make no finding on whether HSBC is holding any refund funds made to Mrs J's account after it was closed.

My final decision

For the reasons above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs J to accept or reject my decision before 19 April 2024.

Ketan Nagla
Ombudsman