

The complaint

Mr H complains that HSBC UK Bank Plc trading as first direct (FD) unfairly closed his credit card account.

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.

Mr H had numerous accounts with FD including three current accounts, a savings account, a regular saver account and a bonus saver account as well as a credit card account. I will be looking at the closure of his credit card account only. Mr H has received a final decision from this service regarding the remaining accounts.

In mid-June Mr H received notification that his credit card account would be closed in line with the account terms and conditions. Mr H was given 60 days' notice and informed his account would close on 21 August 2023.

Mr H raised a formal complaint about the closure, explaining it was unfair for the account to close without a clear reason. Mr H explained the closure of his accounts had a financial impact and FD didn't provide him with any assistance or flexibility. Mr H also highlighted that he had paid a fee of £72.50 to use the balance transfer onto his FD credit card.

FD issued responses to Mr H's concerns and explained that it wasn't able to provide any further information regarding its reason for ending its banking relationship with Mr H. It also explained it would refund the fee Mr H paid of £72.50 as a gesture of goodwill.

Mr H remained unhappy with the response received and referred his complaint to our service. An Investigator reviewed his concerns, and in summary found the following:

- FD's regulatory obligations meant it was required to monitor and review customer accounts and it didn't need to give Mr H notice of this review or a reason for the closure.
- FD has disclosed the specific reasons to this service in confidence and they were satisfied FD acted fairly in light of the information available.

Mr F raised concerns about the review of his complaint, in particular he explained key legislation hadn't been considered and the impact of the closure hadn't been fully appreciated.

As no agreement could be reached, the case has been referred to me – an ombudsman – for a final decision.

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.

When considering what is fair and reasonable, I'm required to take into account: relevant law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider good industry practice at the relevant time.

Firstly, I'm aware that I've only summarised Mr H's complaint points. No discourtesy is intended by this. The Financial Ombudsman Service is designed to be a quick and informal alternative to the courts under the Financial Services and Markets Act 2000 (FSMA). I can assure Mr H that I have carefully considered his detailed submissions. I must also highlight some of the general issues Mr H has raised as part of his complaint have been addressed in the final decision he has already received from this service regarding his other FD accounts.

My review of the evidence has led me to the same overall conclusions as the Investigator previously set out and for much the same reasons. I will explain why.

Credit card closure

As a UK financial business, FD is strictly regulated and must take certain actions in order to meet its legal and regulatory obligations. It's also required to carry out ongoing monitoring of an existing business relationship. That sometimes means FD needs to restrict, or in some cases go as far as closing, customers' accounts.

FD has explained and given me information to show why it reviewed and closed Mr H's account. Having carefully considered this, I'm satisfied FD took these actions in line with the obligations it must adhere to. FD is also entitled to close an account just as a customer may close an account with it. But before FD 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 credit card account, which FD had to comply with, say that it can close the account by giving him at least two months' notice. Mr H has made multiple arguments around contract law and the validity of the credit card agreement and the terms. I've thought about these comments, but I don't think they change the fundamental terms of the agreement or restrict FD's ability to review and close the account in the manner it did. Having looked at the information given to me by FD in confidence, I'm satisfied it was entitled to close the account in the way that it did.

I know Mr H would like a detailed explanation as to why FD took these actions, as he thinks the decision was because he was costing FD too much. However, FD isn't under any obligation to provide Mr H with specific reasons. I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from regulated businesses' as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information FD has provided is information we consider should be kept confidential. This means I can't elaborate on the closure reasons for Mr H, but I am satisfied the closure was appropriate in light of the information FD held.

In response to the Investigator's review Mr H says that the actual laws and regulations FD and in turn our service are relying on to justify the closure haven't been specified. The financial services regulatory framework within the UK is comprised of multiple layers – this includes various pieces of legislation, guidance and rules set by the financial regulator as well as caselaw. The key overriding principles from these various sources help businesses such as FD formulate an internal compliance framework. It is not our role to comment on the effectiveness of this framework – this is the role of the regulator.

It is also not for businesses like FD to always specify to customers exactly what legislation it has relied upon when making commercial and operational decisions. As long as the decision is made in line with the principles outlined within the regulatory framework, and we consider it to be fair and reasonable this service wouldn't require banks such as FD to go into greater detail or reopen an account. I appreciate Mr H's frustration with FD's responses, but I am satisfied it has acted reasonably in the circumstances.

Impact of the closure

Mr H has explained the closure of his credit card account had a significant impact on him and his finances. I can see Mr H was able to use his account during the notice period and FD's final response letters encourage Mr H to make alternative banking arrangements.

As part of his complaint Mr H says there was no flexibility from FD and it didn't provide any support for Mr H. I appreciate the closure of the credit card account would've resulted in a level of inconvenience for Mr H. However, based on the correspondence between I've seen between Mr H and FD I can see that it has tried to assist Mr H as much as possible in the circumstances. In particular I can see FD refunded the initial charge Mr H paid to carry out the balance transfer. Mr H has asked for additional charges of £87 and £150.80 to be refunded, but these were fairly applied in line with the terms of the account, so I don't think FD needs to refund these amounts too.

Mr H says he had to change his financial plans due to the closure and he has incurred additional costs in the form of interest due to the credit card closure. I am sorry to hear of the impact on Mr H and I appreciate Mr H will have had to make alternative arrangements with his finances. However, as the closure was fair, I don't think it is necessary for FD to cover these additional costs.

I know this will not be the outcome Mr H was hoping for, but I am satisfied FD acted reasonably in taking action to discharge its regulatory obligation. I know Mr H will be disappointed with the decision I've reached, but I hope it provides some clarity around why I won't be asking FD to take any further action or compensate Mr H.

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 Mr H to accept or reject my decision before 6 November 2024.

Chandni Green
Ombudsman