

The complaint

Ms A complains that HSBC Bank Plc blocked her account and then delayed the return of funds to it after the block was lifted.

What happened

In May 2023 Ms A received a payment of £3,000 to one of her accounts with HSBC. She transferred £2,000 of that payment to her savings account, also with HSBC.

Shortly after that, Ms A noticed that her accounts had been blocked. She contacted the bank, thinking the block on her accounts was linked to fraud. HSBC asked Ms A to attend a local branch with evidence of the source of the £3,000 payment. She did that the following day. She explained that the payment had been made by her ex-partner and was to cover school fees.

HSBC reviewed the position and, about three weeks later, lifted restrictions on Ms A's accounts. In the meantime, the £2,000 which Ms A had transferred to her savings account was placed on a suspense account. It was returned to Ms A just over six weeks after the account restrictions were lifted.

Ms A complained to HSBC about what had happened. HSBC said that it had been within its rights to review the payment of £3,000 and to block Ms A's accounts while it did so. It acknowledged however that it should have released funds back to her when account restrictions were lifted. In recognition of that, it offered to pay Ms A £300 in recognition of the inconvenience to which she had been put, together with interest on the £2,000 held on the suspense account from 14 June (when restrictions were lifted) to 31 July 2023 (when the funds were returned). It also provided her with a letter to show to creditors who might have been unable to take direct debit payments and offered to meet any additional costs arising from, for example, non-payment of school fees.

Ms A did not think that HSBC's offer went far enough. In particular, she thought that the offer of £300 was too low. It did not properly recognise the inconvenience to which she had been put or the distress she had been caused. She referred the matter to this service, where one of our investigators considered what had happened. The investigator thought that HSBC's offer was fair in the circumstances and did not recommend that it be increased.

Ms A did not accept the investigator's assessment and asked that an ombudsman review the case. I did that and, because it did not believe that HSBC's offer went far enough, issued a provisional decision, in which I said:

First, I accept that HSBC was within its rights to seek further information from Ms A about the source of funds being paid into her account. The payment was unusual (her ex-partner had previously paid the school fees directly), and I can understand why HSBC wanted to know more about it.

I note that HSBC asked to see the payer's bank statement showing the payment. Ms A did not think this was appropriate, as she has a difficult relationship with her ex-partner. Whilst such a request can be reasonable, I would expect the bank to take Ms A's comments into account in deciding whether to pursue it. Overall, however, I think that the way in which HSBC investigated the payment and the time it took to lift the account restrictions were reasonable.

The bank has however acknowledged that it should have returned funds from its suspense account when the restrictions were lifted. They were not returned for more than six weeks.

The usual remedy where a bank customer is deprived of funds is to award compensation at a rate which fairly reflects the cost of not having those funds. This service often uses a rate of 8% a year, which reflects the cost of borrowing. In my view, the bank's offer fairly reflects Ms A's actual loss arising from the delay in returning the funds.

Ms A has not reported any additional losses – for example, by way of late payment fees or similar.

The only issue remaining for me to decide, therefore, is what level of compensation is appropriate in recognition of the distress and inconvenience which Ms A has suffered as a result of the delay in returning funds to her. HSBC has offered £300; Ms A thinks that a figure of £100 a day is more appropriate.

I have considered very carefully not only the error which the bank made, but also its impact on Ms A. In some cases, HSBC's mistake might have had a relatively small impact on a customer. Ms A has said, however:

- She was unable to arrange taxis for her son to travel to school and had to rely on a neighbour.*
- Her son has special educational needs, and finds it difficult to manage unusual situations. Both her children were distressed by the situation.*
- HSBC indicated that it had sent funds back to her ex-partner. That put her in a difficult position, because she thought he hadn't returned them.*

I do not have power to make an award for the distress caused to third parties, such as Ms A's children. I can understand however that any distress suffered by them will have had a knock-on effect on Ms A – adding to her distress. I have taken that into account.

Whilst the bank's offer of £300 is, in my view, within the range of awards I would usually expect in cases such as this one, it is in my view insufficient to take into account Ms A's particular circumstances. In my view, a payment of £500 would better reflect the inconvenience to which she has been put and the distress she has suffered.

I have noted of course that this is far less than Ms A is seeking. It is however in line with our published guidelines on awards for non-financial loss and is, in my opinion, fair and reasonable.

HSBC accepted my recommendation that it increase its offer of compensation to £500, but Ms A did not. She asked me to review the case and said, in summary:

- Her accounts were blocked for more than 20 days, even though she had been told they would be returned within 48 hours.
- She has a very difficult relationship with her ex-partner, and HSBC was aware of the situation.
- The situation was difficult for her children. Her daughter had to miss a school trip. Her son has special educational needs, and was distressed when his routine was upset.
- Money was not in her account when the block was lifted.
- Direct debits which could not be taken were taken twice the following month.
- She was reluctant to ask friends and family for help, in part because she did not know when her money would be returned.
- She thought that compensation of £9,000 would be appropriate (not £100 a day, as I had indicated).

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.

Having done so, however, I have not changed my view from that set out in my provisional decision.

HSBC acknowledged its error and offered compensation for the delay in returning Ms A's funds – by way of interest. It also offered compensation for the distress which Ms A had suffered and the inconvenience to which she had been put. Before I issued my provisional decision, I considered carefully what Ms A had said about the impact on her. I concluded that the bank's offer was too low and recommended it be increased to £500. In making that recommendation, I took into account (and commented on) all the matters which Ms A has mentioned in response to my provisional decision. I do not therefore believe that there is any reason to change my view about how Ms A's complaint should be resolved.

My final decision

For these reasons, my final decision is that, to resolve Ms A's complaint in full, HSBC UK Bank Plc should increase its offer for distress and inconvenience from £300 to £500 (keeping its offer in respect of other matters open for acceptance).

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 2 July 2024.

Mike Ingram
Ombudsman