

The complaint

N, a limited company, complains that HSBC UK Bank Plc blocked their business account and withheld the funds. They'd like the funds to be released and be compensated for the disruption caused to the business.

What happened

N has appointed professional representatives to handle this complaint, but for ease of reading in this decision I will only refer to N. The company held an account with HSBC. But in May 2023 the bank took the decision to block the account, which contained approximately £217,000. The bank also returned a large payment to the sender, rather than allow it to credit the account.

In June 2023 HSBC asked N to demonstrate the source of funds paid into the account. N responded to say the payments were from a third party who was investing in their business, and the payments had been passed along via their solicitor. They provided a subscription agreement between the parties to demonstrate this.

But HSBC did not release the funds. When N discussed this with the bank, they were given no further explanation.

In November 2023 HSBC wrote to N to say they would be withdrawing their banking facilities immediately. The letter also stated that the bank did not believe N was entitled to some of the funds in the account and these would be retained.

N complained to HSBC. The bank responded to say the decision to close was not taken lightly, but they were satisfied that the closure and retaining of funds was in line with their legal and regulatory obligations.

Dissatisfied with this N referred their complaint to our service. They said the block had seriously impacted their business and estimated that without access to the funds they had suffered potential losses of over £600,000. They also said further investments from the third party had halted.

Our investigator initially concluded that the group of companies N belonged to was too large for our service to consider. However, after receiving further information, they were satisfied that this was a complaint we can consider. But they felt that HSBC hadn't been unreasonable in blocking and subsequently closing N's account. They were persuaded that it was reasonable for HSBC to continue to withhold the remaining funds in the account, in line with the bank's legal and regulatory obligations.

N disagreed, arguing that by withholding the remaining funds HSBC were in breach of their own terms and conditions, and the relevant regulations around payment accounts. They said no freezing order or forfeiture notice has been issued, and there were no legal proceedings against N. But this didn't change the investigator's 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.

The summary of events above is brief, and in far less detail than both parties have given. I don't intend any discourtesy in taking this approach. Instead, I've focused on what I consider to be the key issues involved here. The rules of our service – The Dispute Resolution (DISP) rules in the Financial Conduct Authority's handbook – provide me the discretion to do this. This is to reflect the informal nature of our service, as an alternative to the courts.

If I haven't mentioned something that either party has submitted, this isn't because I've not considered it or taken it on board. Rather I do not feel I need to comment on it to reach a fair and reasonable outcome.

DISP 3.5.9R allows me to treat certain evidence in confidence where appropriate – such as if it contains information about third parties or security information. I'm satisfied that some of the information supplied by HSBC should be kept confidential. So, I'm sorry to N that I won't be able share a significant amount of details. But I would assure them that I've considered everything carefully.

HSBC, like all banks in the UK, are strictly regulated. I can see in their responses to N's complaints they've referred to their legal and regulatory obligations. These obligations require them to carry out ongoing monitoring of new and existing relationships. These obligations mean that sometimes they will need to look more closely at accounts or transactions. And it may be necessary for them to block the activity on the account while they do so – there is provision for this in the terms on N's account with HSBC.

There's no specific obligation in the relevant regulations, or in the terms of the account, for HSBC to explain the nature of the concerns, or reason for the review, to N. And they have declined to discuss this in detail here. It wouldn't be appropriate for me to require them to.

It does seem that the concern was about the payments from the third party. I can see that HSBC requested further information from N about these, although the deadline they set was very short. But I'm satisfied that it was reasonable to block the account and request further information.

The closure followed several months after – although the account hadn't been unblocked in the interim. In practice I'm satisfied the account was closed with no notice. Banks have a general discretion over who they provide accounts to and can close accounts for reasonable reasons. I note that by the time HSBC issued their closure notice, N had already submitted an account closure form. So, I'm not persuaded HSBC did anything wrong by closing the account, as it is clear that N no longer wanted to bank with HSBC anyway.

However, HSBC have continued to retain the funds in the account. I accept these funds have been unavailable to N for over a year at this point. N has argued that HSBC would require a court order to retain the funds in this way. Matters on a point of law are not for our service to decide upon, that would be to the courts. I have taken in to account the legislation and regulations N have quoted, when deciding what I consider to be fair and reasonable.

I've considered the information N supplied about the source of funds. HSBC have also provided their comments on the evidence. Overall, I'm not persuaded that HSBC have been unreasonable in continuing to hold on to the funds. I'm satisfied that they are complying with their legal and regulatory obligations in doing so.

I've no doubt the removal of funds has been inconvenient to N. But for the reasons I've set out, I don't see that N has been treated unfairly or unreasonably in the circumstances. Therefore, I don't require HSBC to do anything further.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 11 November 2024.

Thom Bennett
Ombudsman