

## **The complaint**

E, a limited company, complains that HSBC UK Bank Plc ('HSBC') unfairly closed its business account. E is also unhappy that HSBC gave it conflicting information which caused delays which impacted it financially.

E's complaint has been brought to our service by its director, Mr K.

## **What happened**

E had an account with HSBC for many years. In April 2023 Mr K received a letter saying that HSBC was closing E's account in June 2023. He said it took two weeks to understand who he needed to contact to get more information. He called the relevant team on 5 May 2023 and was told the letter he'd received was automated and it was due to a safeguarding review that was initiated five months before and was still open. Mr K says he was assured there was nothing further he needed to do and that the account wouldn't be closed.

Mr K said that after not hearing back for a week or so he decided to call HSBC again and was told that the account would be closed as per its original letter. He said he told HSBC that he'd lost time because of it providing conflicting information and that he only had a month to make alternative arrangements. He said that E has customers and suppliers all around the world and needs an account to enable it to make transactions abroad.

Mr K complained to HSBC but it didn't uphold the complaint. It said that it didn't feel that its representative had given Mr K misleading information and that she hadn't said that the account would remain open or that E would get an extension during the 5 May 2023 call. It said its decision to close the account was in line with its terms and conditions and that it didn't need to disclose its reason for the closure to him.

Mr K then complained to us and said that the closure put E in a difficult position and that it had missed payments to suppliers which was ruining its reputation. He said HSBC didn't offer any support or provide an extension so he could open another account despite the fact that it had provided misleading information. He said his mental and physical health as well as that of his colleagues' had been affected.

Mr K said he wanted E to be compensated for the damage it sustained. He said multiple deals were missed because he had to focus on dealing with this crisis rather than on business development. He said the closure was unfair and it could have been due to a mistake or discrimination and felt there was no legitimate reason for the account to be closed.

While the complaint was with us HSBC said that its communication wasn't very clear and for that reason it offered £150 compensation.

Our investigator who reviewed the complaint didn't think that HSBC was acting unfairly or unreasonably in closing the account and that this was in line with its terms and conditions. He did think that its communication with Mr K could have been clearer and felt that the £150 compensation it offered was fair and reasonable.

Mr K didn't agree and asked for an ombudsman's decision. He didn't think £150 was adequate compensation for the impact the closure had on E. He said he had to open accounts with other banks and that not all of them facilitated payments with some of the countries E works with and this impacted its business. He reiterated that E missed out on new contracts and delayed on making payments to suppliers which impacted its reputation.

The complaint was then passed to me to decide. Before I issued my decision, we asked Mr K if he felt that E had been discriminated against and if so why. He said he wouldn't know as he doesn't know the reason the account was closed. He said E's complaint isn't about discrimination but about the treatment it received after HSBC decided to close its account.

### **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 parties have provided their evidence and arguments in support of their respective positions, and though I have considered these in full, in this decision I will be focusing on what I consider to be the main issues. No discourtesy is meant by this. We aim to keep our decisions as concise as possible.

It's generally for banks and financial businesses to decide whether or not they want to provide, or continue to provide, banking facilities to any particular customer. Unless there's a very good reason to do so, this service won't usually say that a bank must keep a customer or require it to compensate a customer who has had their account closed. As long as they reach their decisions in a legitimate manner, this service won't usually intervene.

It follows that, before HSBC closes an account it must do so in a way which is fair and complies with the terms and conditions of the account. I've looked at the terms and conditions and they state that HSBC could close E's account by giving at least two months' notice. I've seen the notice to close letter and HSBC has also provided further evidence to show that the account was active during the notice period, so I'm satisfied it has complied with this part.

I've also considered the reason for the closure of the account and whether this was fair. HSBC has important legal and regulatory responsibilities to meet when providing accounts to customers. Those obligations are ongoing and don't only apply when an account is opened. They can broadly be summarised as a responsibility to know its customers, monitor accounts, verify the source and purpose of the funds as well as detect and prevent financial harm.

Having reviewed all the evidence, including the information HSBC provided in response to the investigator's view, I'm satisfied that it was acting in line with its legal and regulatory obligations when it decided to close the account by giving E two months' notice.

Furthermore, HSBC is allowed to set its own policies which will also include its risk criteria. It's not my remit to say what policies or risk appetite HSBC should have in place. I can however, while considering the circumstances of individual complaints, decide whether I think customers have been treated fairly.

Having looked at all the evidence and the terms and conditions I'm satisfied that HSBC was acting fairly and reasonably when it closed the account. HSBC has provided some further details of its decision-making process which, unfortunately, I can't share due to its commercial sensitivity. But I've seen nothing to suggest that HSBC's decision around closing E's account was unfair or anything other than a legitimate exercise of its commercial discretion. It follows that I won't be asking it to reopen the account or to compensate E for this.

For completeness I will also say that HSBC will review accounts to comply with its legal and regulatory responsibilities. Though HSBC didn't do so on this occasion, it's common practice for banks and other financial service providers to restrict access to accounts to conduct a review- doing so helps prevent potential financial loss or other harm that could otherwise result. As I said, HSBC didn't block the account on this occasion, and I thought this was fair and reasonable.

Mr K said that he was provided with conflicting information about whether the account would be closed or not. He said this caused delays and didn't allow E sufficient time to open another account and continue trading without disruption. I have listened to the call Mr K is referring to. I agree, and so does HSBC, that the information could have been clearer. But I don't think this means HSBC is responsible for all the losses Mr K says E has suffered as a result of this.

The member of staff Mr K spoke to said that there was an ongoing review on the account and that the letter he was sent was automated as per HSBC's regulatory obligations. She said she didn't know why the review was taking so long and said this could be, for example, because someone was away on long term leave. I think this was simply an example. The member of staff also said she would escalate the matter so that someone could tell Mr K if they needed more information or if the review was completed. She also said an extension wasn't possible at that stage but that while the review was ongoing the account wouldn't be closed. She added that E hadn't had a letter saying that the review had been completed which meant it was ongoing.

I don't think the information provided in the call would give the impression that the account wasn't going to be closed at all. But I think HSBC should, at that point, have been clearer about what would happen to the account. Particularly as it had already sent a letter to E saying the account was going to be closed. And I don't think saying the letter was automated was helpful. HSBC offered E £150 compensation for the inconvenience caused by the miscommunication. It acknowledged that clarification was provided ten or so days later. I think this would have caused inconvenience and unnecessary confusion and, in the

circumstances, I think £150 is fair and reasonable and in line with what we would award in similar circumstances.

Mr K says E suffered losses in terms of losing business, its reputation was impacted etc. I have no reason to doubt what Mr K has said but I haven't seen any evidence in support of these losses so this isn't something I can reasonably award compensation for. But even if I had seen supporting evidence, I don't think these losses reasonably flow from HSBC's actions. As I said above, no extension was provided, and HSBC didn't say the account wasn't going to be closed during the call. HSBC said the account wasn't closed until July 2023, more than two months after its letters were sent. So, I'm satisfied that sufficient notice was given. It follows that I won't be awarding compensation for this part of the complaint.

I appreciate Mr K says that it takes weeks to open another account and that other banks can't facilitate payments to some of the countries E works with. I appreciate this may be the case, but I don't think this is down to HSBC. As I said above, I think HSBC was acting within its terms and conditions when it decided to close the account by giving two months' notice.

Mr K also mentioned that the situation caused him as well as colleagues a great deal of distress. I was very sorry to hear this and I'm certainly not disputing that directors or their colleagues can be distressed. But I have no power to award compensation for this where the entity entitled to bring the complaint, as in this case, is the company.

Finally, I haven't looked at the issue of discrimination as Mr K said the complaint isn't about discrimination.

I appreciate Mr K will be disappointed with my decision. For the reasons I have provided, I don't think HSBC is responsible for anything other than the compensation it has already offered to pay E.

### **My final decision**

For the reasons above I have decided to uphold this complaint. HSBC UK Bank Plc must pay E £150 compensation for the inconvenience it caused it.

HSBC UK Bank Plc must pay the compensation within 28 days of the date on which we tell it E accepts my final decision. If it pays later than this it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask E to accept or reject my decision before 9 July 2024.

Anastasia Serdari  
**Ombudsman**