

## The complaint

Mr L complains that HSBC froze his bank account between 9 October and 24 November 2023, when they closed it. He says that HSBC took £2151.18 from his account that they have not returned to him. He has therefore lost out on this amount and also suffered hardship and stress as a result of his account being frozen for that time. He wants to be reimbursed for the £2151.18, plus compensation.

## What happened

On 13 October 2023 Mr L became aware that his account had been blocked. He says he called and spoke to HSBC on the phone for an hour and then visited one of their branches that day to try and understand what was happening.

As the branch were unable to help, he emailed HSBC on the same day, outlining that his account was under review for potential fraud and explaining that his girlfriend had been the victim of a scam. He asked HSBC to return '£1.6k' that he says was outstanding on his account when it was blocked.

He explained that his girlfriend had been asked by scammers to send money and as such he had sent her £15,000, while two friends had also sent her money. He says that he also provided a further £17,000 to his girlfriend as a loan.

Mr L says that when they realised this was a scam, his girlfriend sent him £30,000 to keep in his account as a safe haven. He says he then transferred £15,000 back to his girlfriend's account.

Mr L emailed HSBC again on 16 October to thank them for returning £1560, but he noted that £2151.18 had been taken from his account that day and he asked HSBC why that had happened and where the money had gone.

HSBC responded to Mr L on 24 October 2023 and explained that they retained the right to review all accounts at any time and without prior notice and were not obligated to provide an explanation as to why they had placed a block on his account.

On 20 November 2023 HSBC wrote to Mr L to formally notify him of their decision to close his account. They sent a further letter to Mr L on 27 November and enclosed a cheque for £1202.74.

As Mr L remained unhappy with HSBC's responses, he sent us a completed complaint form on 24 January 2024 to set out his complaint and to ask us to investigate.

Our investigation found that HSBC froze Mr L's account for longer than we would expect. As such we recommended HSBC pay Mr L £100 compensation and 8% interest on the funds that were returned to him on 27 November 2023 for period from 2 November to 27 November 2023. We explained that we can't recommend HSBC return the £2151.18 that had been taken out of Mr L's account on 16 October.

The investigator decided that HSBC acted reasonably when they decided to freeze and close Mr L's account.

Mr L disagreed with our decision and he asked for an Ombudsman to consider his complaint. As such this case has come 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.

I've decided to uphold Mr L's complaint. I will explain the reasons for my decision below.

HSBC are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations when providing account services to customers. Those obligations can broadly be summarised as a responsibility to know their customer, monitor accounts, verify the source and purpose of funds, as well as detect and prevent other harm.

To comply with their legal and regulatory obligations, financial businesses will review their customers' accounts, which can either be periodic or event driven. It is common industry practice to block accounts while they are under review. Having looked at all the evidence and information provided in this case, I'm satisfied that HSBC has provided evidence to support their reasons for reviewing and blocking Mr L's account and that these were in line with their obligations.

It's generally for financial institutions to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Each financial institution has its own criteria and risk assessment for deciding whether to open or close accounts. Providing an account to a customer is a commercial decision that a financial institution is entitled to take. Unless there's a good reason to do so, this service won't usually say that a bank must keep a customer. However, a bank should still make sure it hasn't exercised its discretion for plainly unfair reasons, or that it was due to a mistake, and it should still comply with its terms and conditions.

The terms and conditions that applied to Mr L's account set out that HSBC could close his account either by giving at least two months' notice, or in some circumstances it could close the account immediately, which is what happened after HSBC had completed its review. So, I have gone on to consider whether in light of their review, it was fair for HSBC to close Mr L's account the way they did.

I can see Mr L emailed HSBC on 13 October 2023 and explained that his girlfriend had been the victim of a scam, and that he had helped her by both sending her money when she asked him to and then holding money for her in his account as a safe haven.

HSBC considered Mr L's explanation for what happened as part of their review of his account.

For HSBC to act fairly here they needed to meet the criteria to apply their terms for immediate closure. Having looked at these terms and all the evidence that the bank has provided, I'm satisfied that HSBC did meet their terms and so they were entitled to close Mr L's account.

A bank, such as HSBC isn't generally obliged to explain their reasons to the customer, often due to commercial sensitivity. HSBC has provided some further details of its decision making process with us. After considering this information I have decided to accept it in confidence,

which is something I am able to do under the Dispute Resolution Rules (DISP 3.5.9 R (2)). A description of that information is that it relates to the payments in and out of Mr L's account and also wider information they have surrounding the source of some of those funds prior to funds entering his account. I'm satisfied the information demonstrates that HSBC's decision to close the account in the manner they did was reasonable.

I realise Mr L will be disappointed by my decision. But having looked at all the evidence and circumstances of this complaint, I can't conclude that HSBC have treated him unfairly in relation to reviewing, deciding to block his account and then closing it.

Mr L has asked HSBC to return the £2151.18 that was removed from his account on 16 October and to pay him compensation for the distress and inconvenience he experienced as a result of HSBC's handling of this matter.

As part of his complaint, Mr L provided an explanation of the events leading up to HSBC blocking his account, which HSBC considered as part of their review. I've reviewed the information Mr L provided to HSBC along with the information Mr L provided the investigator. I have also taken into consideration the evidence the bank has provided which I have accepted in confidence. And, on balance, I'm satisfied HSBC had a legitimate basis to remove the funds and not repay them to Mr L. I understand this is a main point of contention for Mr L, and I understand why, as he feels strongly the funds should be considered his. But I am satisfied by HSBC's justification and the evidence they have presented, so I don't require them to pay him the £2151.18 that was removed from his account on 16 October.

The investigator has said HSBC took longer than we would expect to complete their review of Mr L's account and recommended HSBC pay £100 plus 8% interest on the funds they returned to Mr L for the period from 2 November to 27 November 2023. This represented the period Mr L was deprived of the use of his money.

Having your bank account frozen and then closed must be a distressing situation to deal with and I understand that Mr L was not employed during the period his account was frozen. I appreciate this will have exacerbated the inconvenience and distress he experienced during this time.

After considering HSBC's actions in reviewing Mr L's account and then returning funds to him, I consider the time HSBC took was excessive and left Mr L without his funds for longer than necessary. I haven't seen evidence or information which would lead me to conclude a larger sum to compensate Mr L than the investigator recommended would be reasonable. I'm satisfied that HSBC should have at least concluded their review and released the funds by 2 November 2023.

### **Putting things right**

In view of the above I require HSBC to pay Mr L:

£100 for the distress and inconvenience he experienced

8% simple interest per annum on the funds they returned to Mr L on 27 November 2023 for the period from 2 November to 27 November 2023. If HSBC considers that they're required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr L how much they've taken off. They should also give Mr L a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

**My final decision**

My final decision is I uphold the complaint. Subject to Mr L accepting this decision by the deadline I have set, HSBC UK Bank Plc need to pay him compensation according to my instructions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr L to accept or reject my decision before 25 February 2025.

Matthew Warrington

**Ombudsman**