

The complaint

Mr and Mrs W have complained that HSBC UK Bank Plc ('HSBC') blocked their account and left them without access to any money. They don't think this was fair and would like compensation.

What happened

I issued a provisional decision on this complaint earlier this month. An extract from that decision follows:

"Mr and Mrs W have a joint account with HSBC. Mrs W has other individual accounts. This decision is in relation to their joint account.

Mr and Mrs W became aware of the fact that HSBC blocked their account in early August 2023 and complained to HSBC asking for their money to be released to them. Mrs W said she was expecting funds from her mother as a gift and that those funds were going towards a house purchase.

Mr and Mrs W complained to us around two weeks after the block was put in place, when they were still not allowed access to their money. Mrs W said HSBC told her that they could only access their salary or benefits payments. But, she said, because her and Mr W are self-employed they don't have a salary and so she believes there is a gap in HSBC's processes. Mrs W said she believed the block was initiated after her mother transferred £20,000 into one of her accounts. She said her and Mr W were left without any money to buy food for their children or to pay rent.

On the same day that Mr and Mrs W brought their complaint to us, HSBC issued a final response letter to say the account was blocked on 1 August 2023 and remained under review. It said it was aware of the fact that they needed access to their funds and asked the relevant team to complete its investigation as soon as possible. But it didn't uphold the complaint and said it has the right to review the accounts without prior notice and does not need to provide its reasons for doing so. It also wasn't able to provide any timescales. A further complaint was logged for the way this complaint was handled.

Mrs W told us that the reason for HSBC's investigation was because a member of her family had been in touch with HSBC and accused her of financially abusing her mother; something she denies. She said there had been longstanding issues with this member of her family and felt that HSBC was favouring them. She also questioned how HSBC could not provide an explanation and leave her and her family with no money.

While the complaint was with us, HSBC completed its review and unblocked the account on 6 September 2023. Mr and Mrs W remained unhappy with HSBC's actions. They said they

wanted the information HSBC relied on to investigate and block the account including the false accusations that were made against Mrs W. Mrs W said she felt she was being “palmed off” when HSBC repeated that there was no time limit for it to complete its review. She repeated that she felt that she was being penalised because she was self-employed and couldn’t show that she was receiving a salary or benefits.

A further final response letter was issued in relation to the handling of the initial complaint. The complaint was not upheld and HSBC said the complaint handler dealt with the original complaint appropriately.

One of our investigators considered the complaint but he didn’t think it should be upheld. He thought HSBC was acting within its legal and regulatory obligations when it blocked the account. He acknowledged that it took a little longer for the account to be unblocked than we would expect but he didn’t think HSBC had caused any unnecessary delays. He didn’t think HSBC had given Mr and Mrs W clear instructions on how they could access their salary as self-employed individuals but as they weren’t able to provide evidence of credits that would represent wages, even if HSBC had been clearer with them, on balance, they wouldn’t have been able to make any withdrawals. So he didn’t recommend that HSBC pay any compensation in this regard.

Mr and Mrs W didn’t agree and asked for an ombudsman’s decision. They repeated some of their earlier concerns about being self-employed and about not being given any timescales. Mrs W also said that her credit rating has been affected because of direct debits failing while the account was blocked. She also mentioned that she had submitted a data subject access request and wanted to provide further information to us once that was received.

Our investigator explained that we were likely to have a lot of the information she had requested from HSBC already. He also said while an account is blocked direct debits will fail but as he didn’t think HSBC had done anything wrong, he wasn’t asking it to compensate Mrs W.

The complaint was then passed to me to decide. Several months have passed since Mr and Mrs W asked for time to provide further documentation further to their subject access request. Our investigator has provided them with updates in the meantime. No further information has been provided over those months so I have decided to proceed with my decision.

Before I issued this decision I went back to HSBC to ask for further details in relation to its investigation. Specifically I asked what actions it had taken between 1 August when the account was blocked and 6 September 2023 when it was unblocked. HSBC responded and provided a timeline of events and details of its actions over that period.

What I’ve provisionally 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'd like to start by saying that I was very sorry to hear about Mr and Mrs W's experience. I was pleased to see that the block was lifted but I appreciate that while the account was blocked things were very difficult for them. Mrs W has also provided us with a lot of information about herself and her extended family which I will not go into in this decision, though I have considered all this information. No discourtesy is intended; we aim to keep our decisions as concise and as to the point as possible. We also must ensure that consumers who come to us remain anonymous and cannot be identified through the information contained in our decisions.

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.

HSBC will review accounts to comply with these responsibilities. 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.

Having reviewed all the evidence, including the information HSBC provided in response to the investigator's view, I'm satisfied that HSBC was acting in line with its legal and regulatory obligations when it restricted Mr and Mrs W's account.

I've also considered the basis for HSBC's review, which I find was legitimate and in line with its legal and regulatory obligations. So, I'm satisfied HSBC acted fairly by blocking Mr and Mrs W's 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 its decision around reviewing and blocking Mr and Mrs W's account was unfair.

I should also add that I don't think HSBC is under any obligation to disclose to its customers what triggers a review of their accounts. For this reason, I can't say that it's done anything wrong by not giving Mr and Mrs W this information. And it wouldn't be appropriate for me to require it to do so.

HSBC completed its review and unblocked the account on 6 September 2023, 36 days after it was originally blocked. Our investigator said that this was longer than we would expect and I agree.

While HSBC is entitled to carry out its review, we'd expect it to do so in a timely manner without undue delay. I appreciate that it is entitled to take the necessary time in order to carry out its review and I don't think it would be right for me to say it should have worked to a specific timescale. I think this would depend on each case, depending on its individual circumstances. Nevertheless, based on the information and evidence HSBC has provided to me, some of which is confidential and which I can't disclose due to commercial reasons, I don't think it was proactive in completing its review and I don't think meaningful steps were

taken at all times to bring it to a close. I think there were periods where no action was seemingly taken. Looking at the steps that were necessary in order to complete this review, in these specific circumstances, I think that, on balance, the review could have been completed within two weeks i.e. by 15 August 2023.

Mr and Mrs W were deprived of funds in their account for over a month. This is money that they should have had available to them to use as they wanted. I can't say for sure what the specific cost of not having these funds available would be. It will have influenced a whole host of decisions about spending and borrowing over that time. With that in mind I'm satisfied awarding 8% simple interest on the amount for the period that it wasn't available to Mr and Mrs W, less two weeks to account for the length of the review, is appropriate. It is a reflection of the cost of being deprived of these funds. It's also in line with the statutory interest rate on judgment debts.

Furthermore, I think the delays caused Mr and Mrs W further unnecessary inconvenience that could have been avoided. I saw that Mrs W got in touch with HSBC asking for updates a few times; saying she needed access to funds to pay for food and rent. I think HSBC should pay Mr and Mrs W £100 compensation for the distress and inconvenience the delay has caused them.

Mrs W was concerned that HSBC blocked her accounts by relying on false accusations against her. She was also unhappy it wasn't putting forward proposals as to how her and Mr W could find money for food and rent bearing in mind they were self-employed and didn't have a salary and questioned the legality of HSBC's actions.

As I said above, HSBC has legal and regulatory obligations which include safeguarding its client's accounts. I appreciate that the account was ultimately unblocked but I agree that HSBC's actions of blocking the account and conducting a review were, in the circumstances, fair and reasonable.

Mrs W said there was a loophole when it comes to self-employed people as they don't have a salary. Our investigator addressed this point. He said though HSBC could have provided Mr and Mrs W with more information as to how they could evidence their earnings as self-employed people, the fact that they weren't able to provide that evidence to us when it was requested would indicate that even if HSBC had provided this further information Mr and Mrs W wouldn't have been able to provide evidence to show they had a salary. So I won't be awarding compensation in relation to this part of the complaint.

Mrs W has also mentioned the impact the block had on her direct debits. As this was an issue that was raised while the complaint was with us and after HSBC issued its final response letter I don't think I can consider it as part of this complaint. Mrs W would have to raise a new complaint with HSBC in relation to this. If she is unhappy with its response she may bring a further complaint to us."

HSBC responded to my provisional decision. It said it didn't agree with everything I'd said but to avoid further protracting the matter and purely as a gesture of goodwill it was prepared to accept my provisional decision. It said in doing so there was no admission of liability.

Mrs W responded shortly after the deadline to respond to my provisional decision and thanked us for progressing the complaint. She made no further comments regarding my provisional 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.

As there were no further comments from Mr and Mrs W and as HSBC accepted my provisional decision, I see no reason to change any of the findings I made in my provisional decision. My provisional findings along with any further comments here are now the findings of this my final decision.

My final decision

For the reasons above I have decided to uphold the complaint. HSBC UK Bank Plc must pay Mr and Mrs W £100 compensation for the distress and inconvenience it caused them. It must also pay them 8% interest per year simple on the total balance on their account when it was blocked from 15 August to 6 September 2023.

HSBC UK Bank Plc must pay the compensation within 28 days of the date on which we tell it Mr and Mrs W accept 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.

If HSBC UK Bank Plc considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr and Mrs W how much it's taken off. It should also give Mr and Mrs W a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr and Mrs W to accept or reject my decision before 18 July 2024.

Anastasia Serdari
Ombudsman