

The complaint

Miss S has complained that HSBC UK Bank Plc ('HSBC') reviewed and then closed her accounts with immediate effect. She wants the accounts to be reopened.

What happened

Miss S had current and savings accounts with HSBC which she opened in October 2023. She says that on 15 December 2023 when she tried to use her accounts, she realised that they had been blocked. She contacted HSBC and it asked questions about a payment for £450 which had been paid into her current account. She says HSBC told her this is why her account had been blocked. Miss S told HSBC that the payment was genuine and that it was from a friend who had used a relative's account with their permission. She said the money was for food and other expenses.

Miss S was in touch with HSBC over the days and weeks that followed the block, but HSBC wasn't able to provide any timescales for when its review would be completed. HSBC said Miss S could access any salary and benefits she was receiving while the account was blocked by attending a branch with valid ID. As the account remained blocked Miss S made a complaint to HSBC.

HSBC responded to Miss S's complaint but it didn't uphold it. It said the accounts were blocked following a report of £450 going into her current account. It said it has the right to review accounts without prior notice and it can't provide a timescale for when a review will be completed. It repeated that Miss S can withdraw any benefits or salary she receives while the accounts are blocked.

HSBC wrote to Miss S on 11 January 2024 to say that it was closing her accounts with immediate effect. HSBC said the account was closed on 19 January and a cheque was sent to Miss S for her balance on 25 January 2024.

Miss S then brought her complaint to us. She said she had no other bank account and couldn't access any funds. She also told us she wasn't able to open any other accounts and that she wasn't allowed to withdraw any money when she went to an HSBC branch. Miss S said she also couldn't access her benefits payments and was having to borrow money. She wanted the accounts to be reopened.

While the complaint was with us HSBC made an offer of £150 compensation. It said its review took slightly longer than it would have liked.

Miss S told us that she would still like her account to be reopened. She also said she hadn't received her funds back. She added that she had been refused accounts by a number of

other banks and that two other banks had registered fraud markers against her. She said one had since been removed and she was complaining to the other bank.

Our investigator asked Miss S about the £450 payment that HSBC had received a report about. She said her boyfriend had sent her money to pay for a meal, but he sent it to one of her friends because he already had their bank details. She said her friend was using a family member's account as she didn't have her own account. Miss S added that her and her friend were no longer speaking when our investigator asked why her friend had disputed the transaction.

At the end of January 2024 Miss S informed us that she had received a cheque with her funds from HSBC.

Our investigator reviewed the complaint and thought HSBC's £150 offer was fair and reasonable. She didn't think HSBC had acted unfairly or unreasonably in closing the account with immediate effect. In terms of benefits withdrawals our investigator said the last payment was made on 15 December 2023 and money had been taken out of the account since, so she couldn't see that HSBC had stopped Miss S from taking this. Our investigator said that if other banks added fraud markers against Miss S this could be a reason why she isn't able to open another account. She said she didn't see that HSBC had loaded a marker against Miss S.

Miss S didn't agree. She said the £450 payment was not fraudulent. She added that she was struggling financially and mentally and that she wasn't able to work or open an account. She said she would get in touch with the other banks regarding the fraud markers.

The matter was then 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.

I'd like to say that I was very sorry to hear about the impact that the account closure has had on Miss S, including on her mental health. I appreciate that Miss S will find this very disappointing but for the reasons I provide below, my decision is along the same lines as our investigator's view.

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.

HSBC's terms and conditions say that it can close an account by giving two months' notice or with immediate effect in certain circumstances.

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 reviewed Miss S's account. I also find that the basis for its review was legitimate for the same reasons. Though I don't think HSBC is under any obligation to explain what triggers a review it has told Miss S about the particular transaction which it had received a report about, and I think this was fair and reasonable.

While HSBC is entitled to carry out its review, we'd expect it to do so in a timely manner without undue delay. 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. HSBC's review was completed in just under a month. It said this was longer than it would have wanted and has offered Miss S compensation for the delay. In the circumstances, I think this is fair and reasonable and I say this because I think there was also a slight delay between HSBC's decision to close the account and releasing Miss S's funds to her. I have also thought about whether HSBC should pay interest on the balance which was in the accounts at the time- to account for any delays- but I think its compensation offer is sufficient. And I think any interest payment would be minimal bearing in mind the amount involved.

As I said above, HSBC decided to close the account with immediate effect. HSBC has provided some further details of its decision-making process which, unfortunately, I can't share due to its commercial sensitivity. I've seen nothing to suggest that HSBC's decision around closing Miss S's account with immediate effect was unfair. But even if I thought more notice should have been provided, I wouldn't have awarded any further compensation for this. I think the compensation HSBC has offered overall is in line with what we would award in similar situations.

The crux of Miss S's complaint is that she wants her account to be reopened. 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. And as I said above, I have considered HSBC's decision to close the account and I think this was in line with its legal and regulatory obligations as well as its terms and conditions. So I am not asking it to reopen the accounts.

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. And as I said above, 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.

Miss S said she wasn't allowed to withdraw any benefits payments while her account was blocked. But, as our investigator said, HSBC has shown us that the last benefits payment made into Miss S's account was on 15 December 2023 and there were several withdrawals thereafter. So I haven't seen any evidence that she was prevented from taking that money out.

My final decision

For the reasons above, I have decided to uphold this complaint. HSBC UK Bank Plc must pay Miss S £150 for the distress and inconvenience it caused her.

HSBC UK Bank Plc must pay the compensation within 28 days of the date on which we tell it Miss S 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.

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

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

Anastasia Serdari
Ombudsman