

## **The complaint**

A is a company, which has brought this complaint through its director, whom I'll refer to as "Mr K".

A complains that HSBC UK Bank Plc blocked its account and that it has not returned all the money which was in it, even though the account has now been closed.

## **What happened**

A is an engineering business.

In December 2021 HSBC placed a block on its account. Subsequently, in November 2022 the police obtained a freezing order in respect of its accounts held with HSBC and another bank. The order was served on HSBC and included a penal notice directed to both the bank and A. The order was to be effective for six months, or until further order.

In the event, the order was lifted by the court in January 2023, and the restrictions on A's account were lifted.

However, HSBC, of its own volition, blocked A's again in March 2023. The account balance at the time was nearly £370,000.

Mr K contacted HSBC to try to find out why the account had been blocked again – there was no court order in place – and to require that the block be lifted. HSBC provided very little information, beyond saying that its enquiries were continuing.

In the meantime, Mr K referred the matter to this service, on behalf of A. One of our investigators considered what had happened and, in December 2023, issued a preliminary assessment. She noted that HSBC had provided this service with very little information and, to some extent because of that, recommended that the complaint be upheld. She thought HSBC should return all the funds held in the account to A, together with interest at 8% a year from 1 March 2023 until payment.

Mr K accepted the investigator's recommendation.

In response to the investigator's assessment, HSBC noted that around £118,000 had been returned to A in October 2023. It offered to pay interest on the amount returned at 8% a year from 1 March 2023 until it had been returned – which it calculated at £6,547.53 – in recognition of the delay in returning that sum. It also offered to refund £38.50 in bank charges which had been levied after 1 March 2023. It explained however that the balance of £250,000 would not be released pending further enquiries.

A did not accept the bank's offer and, as the complaint had not been resolved, it was passed to me for further consideration. I reviewed the case and issued a provisional decision, in which I said:

*As the investigator noted, banks are subject to a number of legal and regulatory obligations in providing accounts. As a result, they may decide to restrict the use of an account or to block certain transactions while they carry out investigations. In some cases, they may be obliged to do so – as was the case here when a court order was made.*

*HSBC has acknowledged that its investigations could have been completed sooner than they were. For that reason, it has offered to pay interest on the funds it released in October 2023, to compensate A for not being able to use that money for several months. It also offered to refund bank charges which, had it completed its investigation sooner, would not have been levied. In my view, that represents fair compensation in respect of the money which should have been released earlier than it was.*

*That is not however the end of the matter. The bank has retained £250,000 and says that it is entitled to do so, while it considers the matter further. I have considered very carefully its reasons for doing so and which it has shared with us in confidence – as our rules allow. Having done so, I am satisfied that HSBC is within its rights to do so and so do not propose to uphold this part of A's complaint.*

I concluded that it was up to A to decide whether to accept HSBC's offer.

In response to my provisional decision, Mr K noted that the account had been frozen for nearly a year before the court order was made (a fact which I had not expressly covered in my provisional decision), so any interest should cover the whole of that period, not just the delay from March to October 2023. He repeated that the balance of funds blocked by the bank – £250,000 – should be released.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

### **What I've decided – and why**

I reached the view in my provisional decision that HSBC was within its rights to retain £250,000 which had been in A's account, while it continued its investigations. I agreed however that there had been a delay in releasing funds after March 2023 – which is why it was fair that HSBC should pay interest on those funds.

Mr K's submission in reply to my provisional decision was in part that interest should cover the full period when A was unable to access it. I believe however that HSBC was within its rights to block the account in full from December 2021 until March 2023. During that period A was not wrongly deprived of the use of its funds, and so it would not be appropriate to award interest on those funds. Interest in this case is intended, broadly speaking, to compensate A for not having funds when it should have had access to them. The money which the bank released in October 2023 should have been released in March 2023, so its offer to pay interest on that sum for that period is fair.

Mr K says the remaining £250,000 should be returned to A, or that HSBC should at least indicate how long its investigations should take. As I said in my provisional decision, however, I am satisfied that the bank is within its rights to retain that money until it has completed its investigation. I can understand too that Mr K would like to know when the bank's investigations will be concluded, but I accept that it cannot provide that information.

**My final decision**

For these reasons, my final decision is that I do not uphold A's complaint. I simply leave it to Mr K to decide whether he wishes to accept HSBC's offer of £6,547.53 and £38.50 to resolve the matter.

Under the rules of the Financial Ombudsman Service, I'm required to ask A to accept or reject my decision before 25 July 2024.

Mike Ingram

**Ombudsman**