

The complaint

Ms R complains HSBC UK Bank Plc (“HSBC”) were over-zealous when asking for information relating to the beneficiary to complete a payment to her family member who resided abroad. Ms R says some of the information HSBC asked for wasn’t something she’d know and that it was both impractical and onerous.

Ms R says HSBC’s actions, which delayed the payment, made her feel like a criminal and has caused her substantive distress and inconvenience.

What happened

The details of this complaint are well known by both parties, so I won’t repeat them again here in detail. Instead, I’ll focus on setting out some of the key facts and on giving my reasons for my decision.

Ms R had been sending payments to her niece - who lives abroad - since around 2020 from the time when she had her first child. In December 2023, Ms R’s niece gave birth to a second child. Ms R was unwell over Christmas 2023, and when she started recovering, she initiated a payment to her niece on 4 January 2024. All the payments Ms R made to her niece were typically gifts.

As Ms R’s niece had changed her address abroad, she called HSBC to check if that would affect anything. She says she was told that she should set her niece up as a new beneficiary with the new address. Ms R also changed the payment reference from what she’d previously used to include the new baby’s name. The following day, Ms R received a text message from HSBC asking her to call it as the payment abroad couldn’t be made.

Ms R called this number and was asked to provide several details about the beneficiary which included her niece’s full name, date of birth, passport number and nationality. Ms R couldn’t provide all this information as she didn’t know it which caused her further distress.

Ms R complained to HSBC about its actions, particularly as she had been making payments to her niece for around three years previously without issue. Four days later Ms R went to a HSBC branch as the payment still hadn’t been made, taking along family pictures to help evidence her relationship with her niece and her children.

Ms R made further calls to HSBC to find out why the payment hadn’t been sent. On 11 January 2024, Ms R received a text message her account was overdrawn. The payment to her niece had been taken from the account. But the payment hadn’t reached Ms R’s niece.

Ms R later attended other HSBC branches to raise the issue and explain how she felt about her payment still not being made. Around the 19 January 2024, Ms R had to clarify further details including the spelling of her nieces’ new baby’s name. Around 20 January 2024, Ms R says she was asked further questions by HSBC about her niece’s new baby and whether the money she was sending was to support several sanctioned or high-risk countries.

Ms R says she found this line of questioning terrifying and extremely distressing as it suggested she was involved with terrorist or highly illegal financing. On 24 January 2024, Ms R received confirmation payment to her niece had been made.

Unhappy with HSBC's actions, Ms R complained. HSBC didn't uphold Ms R's complaint, and in summary it made the following key points:

- All payments are subject to laws and regulations in various jurisdictions which require screening of references and parties to transactions against certain lists. These lists are compiled for public enquiry reasons, which include United Kingdom sanctions. This requires banks to screen and sometime reject some payments
- Because of this, all payments can take longer to arrive than initially estimated
- To reduce delays on payments, Ms R should ensure she provides full and accurate information for the receiver's bank account, their personal details, and a clear and concise purpose for the payment

Ms R referred her complaint to this service. One of our Investigator looked into it, and they recommended it be upheld in part. Their key findings were:

- The payment was flagged as part of a sanctions check. HSBC need to meet sanction requirements as part of its obligations, and were doing this when it asked Ms R for more information
- After listening to the calls Ms R made, HSBC didn't request the correct information in relation to an individual named in the payment reference. It was clear Ms R was finding the situation distressing.

HSBC released the payment on 11 January 2024, after which it was flagged for further checks by the receiving bank. HSBC had this information already from Ms R and could've shared it sooner with the receiving bank

- HSBC wasn't clear when initially requesting information from Ms R and the service she was provided could've been better. So HSBC should pay her £100 compensation for the distress and inconvenience she's been caused

HSBC agreed with what our Investigator said. Ms R didn't agree. In short, some of the novel points she made in response were:

- It's unacceptable for HSBC to say she could've been a scammer and to have questioned her about terrorist financing, despite knowing better from the outset
- HSBC asked repetitive questions despite Ms R giving it the information from the beginning about the nature and destination of the payment
- The delay in the payment being made was annoying and distressing but Ms R would've understood if HSBC properly explained why it was carrying out the review
- Ms R is now afraid to send payments internationally with HSBC. It's fortunate her niece is understanding particularly given her vocation
- There is no amount of money that can compensate Ms R for what she has been put through, and the matter isn't about money. £100 compensation doesn't even reflect the effort Ms R has had to put into sorting this matter out

Our Investigator responded to Ms R, and in terms of new points, here are some of the key one's they made:

- After listening to the calls HSBC has provided, they don't think it treated Ms R like a criminal
- The award of £100 compensation is fair
- HSBC has legal and regulatory obligations it must follow, so it can select to review future payments. So they can't say something like this won't happen again. If Ms R is dissatisfied about something in the future, she can complain
- They haven't seen any information on HSBC's records that would have a negative impact on Ms R in the future

Ms R asked for an Ombudsman to decide her complaint. This complaint has now been passed to me to decide.

What I've decided – and why

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Ms R and HSBC have said before reaching my decision.

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

Having done so, I have decided to uphold this complaint in part. Before I explain why, I want to assure Ms R that I have noted, and listened to, how distressing HSBC's actions were to her – and how this has impacted her. I'd also like to assure her that I do not undervalue this in anyway.

HSBC has important legal and regulatory obligations it must meet when processing payment instructions for its customers, which includes ensuring no UK or other international sanctions might be breached. Those obligations are overriding in terms of otherwise meeting general timeframes for processing payments. And this is the same for every bank. This does mean that sometimes payment instructions are justifiably delayed for review, or in some cases declined altogether.

Ms R says that she was making these payments for at least three years beforehand to the same beneficiary and so it shouldn't have been flagged in the way it was – particularly as she had initiated the setting up of new beneficiary details for her niece due to her change of address abroad.

Ms R is now aware that her payment was held up initially by HSBC and then the receiving bank for sanction checks. She's also aware that the payment and its affiliated details such as reference details weren't the same as before.

HSBC has provided me - in confidence - with evidence which shows the trail of messages and updates between it and other banks involved in the transaction - and the checks it was carrying out. Having carefully reviewed this, I'm satisfied HSBC was acting in line with its obligations when stopping, reviewing, and asking Ms R for more information about the nature of the payment.

Ms R has said that some of the information HSBC asked for was unnecessary, onerous, and grossly impractical. I can understand why Ms R says this and I do think HSBC could've handled the matter with more sensitivity. But given what risks HSBC was managing due to its sanction's obligations, I'm persuaded, on balance, that it acted in line with its obligations when doing so.

It is of course very unfortunate that HSBC's actions have caused distress and anxiety to Ms R. To that end, I haven't seen anything on HSBC's records that would suggest there are adverse markers left that would affect her in the future. But it is worth noting that HSBC's legal and regulatory obligations are ongoing.

Having listened to the 5 January 2024 calls HSBC had with Ms R, I'm also of the mind that she wasn't asked for all the required information correctly. Nor do I think HSBC handled the call as well as it could've and already had information available to it without needing to speak to Ms R again on and after 11 January 2024. This no doubt delayed the payment being sent a few days sooner and would've caused some avoidable distress and inconvenience.

The funds being sent were earmarked for a specific purpose, so I don't need to consider what impact being deprived of them had on Ms R. But I do think HSBC should pay Ms R compensation for the failings I've identified above. Given they relate to a delay of a few days and for administrative errors in not asking for the correct information at the beginning of the 19 days the payment was held up for, I'm persuaded £100 is fair compensation.

As HSBC did nothing wrong in reviewing the payment and asking Ms R for the information it needed, I see no basis to make any further award of compensation for the distress and inconvenience Ms R suffered.

My final decision

For the reasons above, I have decided to uphold this complaint in part. HSBC UK Bank Plc must now pay Ms R £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms R to accept or reject my decision before 19 November 2024.

Ketan Nagla
Ombudsman