

## **The complaint**

A company I'll call H complains that HSBC Bank UK PLC (HSBC) blocked then closed its account and withdrew its Bounce Back Loan (BBL), without explaining why. And that it used the balance of the account funds to pay off the BBL, then delayed in returning the excess account balance to H.

H is represented by its director, Mr H.

## **What happened**

In late 2022, HSBC blocked H's account while it carried out a review. When it completed its review, it decided it no longer wished to offer banking services to H, so it gave H 60 days' notice of its intention to close H's account in a letter dated 30 September 2022. It then carried out a review to decide what to do with the BBL in H's name, and the funds in H's account.

On 16 January 2023, it sent a formal demand letter calling in the BBL. The letter said the balance owed was £36,631.68 and that HSBC had exercised its contractual right to offset H's account funds against the debt. That left an account balance of £3,937.30, which HSBC returned to H by cheque, although not until 31 January 2023 (and H only received the cheque on 23 February 2023).

Mr H complained but HSBC rejected his complaint, so he brought the matter to our service. Our Investigator upheld H's complaint. She said HSBC was entitled to block and close the account in the manner it did, but she didn't think it had produced sufficient evidence to justify its decision to call in the BBL. And she wasn't satisfied HSBC had acted promptly in returning the account balance, saying it should have been released on 18 October 2022.

She said HSBC should reinstate the BBL, return the £36,631.68, remove any adverse credit markers recorded and pay simple interest on the loan balance from 18 October 2022 until the date the funds were returned. And that it should pay interest on the remaining account balance from 18 October 2022 to 31 January 2023, as well as £250 in compensation to recognise the inconvenience caused to H.

Mr H accepted our Investigator's findings, but HSBC didn't. It provided further reasoning behind its decision to withdraw the BBL and said it had acted in line with the terms of the agreement. It asked for an Ombudsman to review the matter afresh.

## **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.

Mr H told our service he isn't concerned with H's decision to close H's account, so my decision will instead focus on the primary issues Mr H is concerned about, i.e. the BBL and the delayed release of H's account balance.

## **Account block**

All banks in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. That sometimes means they need to restrict customers' accounts while they carry out a review.

So, in order to make an award in favour of H, I would need to be satisfied that HSBC acted unfairly or took actions it wasn't entitled to take. Having looked at the evidence, I'm satisfied HSBC acted in line with its legal and regulatory obligations when it blocked H's account. And that it was entitled to do so under the account terms and conditions that governed the relationship between HSBC and H.

However, I do think HSBC could have returned the balance in H's account sooner than it did. Our investigator felt HSBC should have released the funds on 18 October 2022, being the date by which it had completed its review of the account balance. And I agree with that timeframe. HSBC hasn't provided a credible explanation as to why it took longer to release the funds, so it follows that HSBC should compensate H for the subsequent delay.

I'll set out what compensation HSBC must pay H to put things right below.

## **BBL**

HSBC told our service it was entitled to withdraw the BBL in accordance with the terms and conditions of the loan. And it set out the extent of the review it carried out in determining whether it should recall the loan. I accept the terms of the BBL entitle HSBC to recall the loan in certain circumstances, but our service would expect to see justification for a recall to ensure HSBC has treated its customer reasonably, so HSBC's discretion in this regard is not unfettered.

The conditions, rules and requirements that apply to BBLs are different to those that apply to current accounts. And our service's approach to termination of each of these products is distinct, not least because a bank account can be replaced relatively easily. Whereas the same cannot be said of a credit facility, particularly a BBL. And the consequences of terminating a BBL are usually more severe than the consequences of terminating a current account, in no small part because BBLs were incepted to help businesses that might be struggling to operate successfully throughout COVID.

With that in mind, I've looked at the evidence HSBC sent our service, to understand why it recalled the loan, and whether or not it treated H fairly in doing so. And having done so, I'm not persuaded it was entitled to call in the BBL. I'll explain why.

Because HSBC isn't obliged to disclose the reasons for its decision to H, I won't go into detail about the evidence and rationale HSBC has submitted. However, while I can see HSBC had concerns about retaining H as a customer that were born out of a wider review, I haven't seen evidence to demonstrate it was entitled to terminate the BBL in the same manner as it terminated the current account.

I should say that I'm satisfied HSBC's intentions in commencing its review and recalling the BBL were reasonable, and I understand why it decided to do so. Furthermore, it is not for me to set out exactly what steps HSBC should follow before terminating a BBL: that is a matter for HSBC to decide and those steps will vary from case to case. So, to be clear, I have decided this complaint based on the facts particular to this case and what I consider to be fair and reasonable.

With that being said, HSBC hasn't demonstrated a level of concern that would justify recalling a BBL in this instance. It has said why it doesn't want H as a customer, but beyond simply stating that it has concerns, it hasn't provided sufficient evidence to specify details of those concerns, nor to support those concerns and demonstrate why they are reasonable grounds for recalling a BBL.

And as I've said above, there is a higher bar for recalling a BBL than there is for closing an account with notice and, given HSBC didn't provide our service with details of its concerns, it appears that HSBC applied the same rationale for exiting H as it did for calling in the BBL.

To be clear, I'm not denying HSBC's right to recall a BBL in certain circumstances, and had HSBC fleshed out its concerns or provided further evidence, I may have reached a different outcome. But as I've said above, I have to assess each case on its own merits, and on this occasion, I'm not persuaded HSBC has done enough to demonstrate its actions were reasonable.

As to what HSBC should do to put things right, firstly it follows that it should reinstate the BBL and return the same to the position it was in at the date of the recall. The intention of this direction is to put H back in the position it would have been in, but for HSBC's error. So, HSBC should treat the BBL as if it were paused in January 2023, then un-paused when it is reinstated.

This means that H should have the same number of repayments to make after the BBL is reinstated as it had at the time the BBL was called in. And that those repayments should be in the same amount as before. For example, if H had 10 monthly repayments to make at £1,000 each at the date the BBL was recalled, H will have to make 10 future monthly payments of £1,000.

H shouldn't be put to any detriment as a result of this, so HSBC must not treat any payments H would have made since January 2023 as missed payments, it mustn't return a lower sum than the full amount as the date of recall or seek to offset any portion of that amount against the BBL without H's consent, and it mustn't charge additional interest, fees or charges that H wouldn't have occurred had HSBC not recalled the BBL in the first place.

In addition to reinstating the BBL, HSBC will also need to compensate H for issues it has experienced as a result of HSBC's errors.

Mr H has set out the impact this had on H and I'm grateful for his honest and open reply on this point. While H's business did experience financial difficulty as a result of the loan being recalled, Mr H said he was able to obtain funds from elsewhere that avoided more serious financial difficulties.

That's not to say though that H didn't suffer as a result of HSBC's actions of course, and I think it is self-explanatory that being denied access to an account balance of £40,568.98 will have impacted H's operations and caused H difficulties.

For example, Mr H told our Investigator about difficulties he had in paying staff and suppliers. And I consider that (along with my other directions regarding compensation) paying simple interest at the rate of 8% simple interest for the period during which H was deprived of its funds puts H back in the financial position it would have been in, had HSBC not delayed in returning H's funds and had HSBC not recalled the BBL when it did.

HSBC has shown that it released the account balance of £3,937.30 on 31 January 2023. So, HSBC must pay interest from 18 October 2022, being the date it should have released the funds, until 31 January 2023.

While interest on the sum HSBC used to settle the BBL will be payable on the sum recalled from 18 October 2022 up to the date HSBC returns the BBL funds to H.

I can see that HSBC's actions also caused H inconvenience in that its director's attention was diverted elsewhere to deal with the fallout of HSBC's errors. And while I can see Mr H took steps to mitigate the impact this had, I think £250 fairly compensates H for that inconvenience.

### **My final decision**

My final decision is that I uphold this complaint. To put things right, I require HSBC Bank UK PLC to:

1. Reinstate the BBL on the same terms that existed at the date the same was recalled;
2. Pay H simple interest at the rate of 8% on the funds HSBC used to settle the BBL debt when it called in the BBL, from 18 October 2022 until the date the BBL funds are returned to H;
3. Pay H simple interest at the rate of 8% on the remaining account balance of £3,937.30, from 18 October 2022 to 31 January 2023;
4. Remove any adverse credit markers it registered against H arising out of, or in any way connected to the withdrawal of the BBL and/or the withholding of H's remaining account balance; and
5. Pay H £250 in recognition of the inconvenience it experienced as a result of HSBC's errors.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 27 August 2024.

Alex Brooke-Smith  
**Ombudsman**