

## **The complaint**

Mr P complains HSBC UK Bank Plc (“HSBC”) closed his business’ Client Deposit Account (DCA) as it no longer met its renewed eligibility criteria. Mr P says in doing so, HSBC is discriminating against his industry.

Mr P also complains that:

- He was wrongly told by HSBC’s relationship manager that any payments made into his CDA after closure would be diverted to his other current account for the business
- HSBC provided poor customer service as it didn’t update his address for his sole trader account when he informed it of this, and only did so for his personal account; and
- This led to his cheque for the closing balance being sent to an old address causing delay

Mr P says HSBC’s actions have caused him substantive financial loss, distress, and inconvenience for which it should pay him upwards of £2,000 in compensation.

## **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.

In February 2023, a member of HSBC’s business banking team informed Mr P by email that it was conducting a review of customer’s CDA’s. HSBC set-out a list of industry professional bodies and said if Mr P wasn’t a member of one of these, he would be ineligible to hold its CDA. If Mr P’s CDA wasn’t eligible, he was given three options by HSBC:

- Register with an appropriate body as listed in its email
- Closure of the CDA; or
- Converting it to an alternative product holding

Mr P confirmed the professional body he was affiliated to as part of his industry sector wasn’t on HSBC’s list. Mr P was then told he only had two options of either closing the account or converting it. Mr P responded that as an employment agency he was legally bound to have a CDA – and not having one would leave him open to accusations of committing fraud.

HSBC responded that following its research, it wouldn’t be changing its position.

In June 2023, HSBC closed Mr P’s CDA that was related to his agency work. Mr P has another CDA with HSBC related to a previous unrelated business. Our Investigator has explained that if Mr P is unhappy about any of HSBC’s acts or omissions in relation to this account, he will need to complain separately about this.

HSBC notified Mr P by letter dated 29 March 2023 that:

*“In order to have a Clients Deposit Account, you (or the business) must be registered with a regulator or designated professional body within your relevant industry that holds members to appropriate professional standards. After conducting a review of your Clients Deposit Account(s), we were sorry to let you know that we will no longer be able to provide this product to you and will need to close the account(s)”*

HSBC said the account would close in June 2023, and it would withdraw all *related services*. And that a cheque for the closing balance would be sent to the address on the letter. In June 2023, HSBC closed the account.

Mr P says HSBC failed to support him and the CDA and online banking (OLB) were closed abruptly. He says because of this, and as he didn't know payments from employers wouldn't be redirected as he was led to understand or paid into the closed account, he lost a month's worth of income. Mr P added it was fortunate no large sums came in for his payees.

Mr P is also unhappy the cheque for his closing balance was sent to his former address despite informing HSBC of his change of address for his personal account. Mr P says HSBC should've updated his address for his sole trader account as that related only to him when it knew about his personal change of address. And in not doing so, a subsequent complaint response was also sent to the wrong address.

Unhappy with HSBC's actions, Mr P complained. In its responses, and in summary, HSBC said:

- The CDA was closed in line with HSBC's policies, terms, and conditions
- The closing balance of around £115 was sent to the address it had on its file as of June 2023. And Mr P should contact HSBC if he hasn't received it
- Any payments sent to the account after closure will be sent back to the sender. Mr P should therefore inform his clients of an alternative account to pay into
- The final response letter was sent to Mr P's registered address with HSBC, and it was also sent to him by email. There is no evidence Mr P asked for his address to be changed
- Monthly statements were sent to Mr P prior to closure, HSBC will also send him copies

In November 2023, HSBC stopped the previously sent cheque for the closing balance and issued Mr P a new one at his new address.

Mr P referred his complaint to this service. One of our Investigators looked into it, and they recommended it be upheld in part. In short, their key findings were:

- HSBC is entitled to close the account and did so by providing notice in line with its terms and conditions
- In May 2023, HSBC's relationship manager said to Mr P they had no control over the closure of the account – suggesting HSBC would proceed with closing it. But the manager incorrectly told Mr P future payments into the closed CDA would be redirected to his new account once set-up. This was misleading. And after the manager left no one took their place to help Mr P understand what was going on

- Mr P updated HSBC with his new address in March 2023. HSBC say he only updated his personal accounts and not for his business accounts. That's because there are separate profiles for business and personal accounts.

HSBC's terms don't clarify that a customer needs to separately update their respective profiles if they have a sole trader account. Because of this HSBC sending the cheque to Mr P's old address caused delay

- Mr P was told by HSBC he would need an appointment to open another bank account with it for his business. But the appointments were all at times he was working which frustrated him
- HSBC isn't responsible for Mr P not being able to open another CDA with another provider
- To put things right for the service failings, HSBC should pay Mr P £250 for the distress and inconvenience he was caused. And pay him 8% on his closing balance from 17 June 2023 until 1 November 2023 for being deprived of these funds for longer than he should have

HSBC agreed with what our Investigator said. Mr P didn't agree. In summary, he made the following key points:

- The recommended compensation doesn't adequately reflect the distress and inconvenience Mr P has suffered nor will it give HSBC pause to consider changing its procedures. Compensation of £2,000 would be fair
- The investigator hasn't considered HSBC acted discriminately towards his industry sector by closing the CDA
- Mr P wasn't made aware his OLB would also be closed with the CDA. So he couldn't check what aborted payments were made to his CDA. Mr P still doesn't have any way of knowing which past employers are attempting to pay him given the nature of continued, albeit irregular, payments in his industry

In response, our Investigator said they had adequately addressed Mr P's discrimination point by saying HSBC were entitled to decide what products and services it would like to offer customers, and it has commercial discretion in deciding to continue offering them.

Mr P didn't agree and reiterated his previously made points, adding that he assumed HSBC's actions affected his credit rating as he wasn't able to open a CDA with another bank. Mr P had previously said this was partly due to his electoral roll details not being updated with his new address. Mr P emphasised that it is unfair his industry's professional body hasn't been recognised by HSBC.

As there's no agreement, this complaint has 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 Mr P 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.

#### *Account closure*

HSBC is entitled to close an account just as a customer may close an account with it. But before a bank closes an account, it must do so in a way, which complies with the terms and conditions of the account.

The terms and conditions of the account, which HSBC and Mr P had to comply with, say that it could close the account by giving him at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

Mr P says he received the original notice to close the CDA. This was sent in March 2023 following emails he'd received from HSBC's business banking team that his account wasn't an eligible one for a CDA in February 2023. HSBC gave Mr P at least the two months' notice in line with its terms and conditions when closing it in June 2023.

Mr P doesn't agree that HSBC's reasons to close the account were fair. He emphasises that he needs a CDA to stay compliant with legal requirements given the employment agency nature of his business, and by not including his industries' professional body, HSBC has discriminated against this industry.

HSBC reviewed its CDA policy and eligibility criteria, and this was updated on its website. Effectively HSBC prescribed that it would only continue providing this type of account to certain regulators and professional bodies that its customers were members of. Mr P was provided with this list and said his wasn't represented. HSBC reviewed this and decided that it would have to close the CDA, and Mr P would need to make alternative arrangements, which included converting the type of account.

HSBC has explained to me why it had reviewed and amended its policy in the way it did. Having carefully considered this, I'm satisfied that it exercised legitimate commercial discretion in doing so. After all, HSBC can decide who it offers its services and products to, and what the eligibility for these should be.

HSBC is under no obligation to give a more detailed explanation to Mr P. And I note it has already explained what its changes were, and the business account team asked Mr P if his business had procedures in place to comply with money laundering regulations.

Mr P says that by not including his business sector's professional body, HSBC has discriminated against that industry. A business sector isn't a protected characteristic under the Equality Act 2010. Mr P also says HSBC's decision to close his CDA puts him in a position where he isn't meeting his legal obligation to have such an account given the nature of his trade. But HSBC isn't under an obligation to provide a CDA to Mr P, and he is free to open a CDA with another provider.

I'm also satisfied that two months' notice was sufficient for Mr P to have made such arrangements. I would add here that I haven't seen any evidence that any act or omission from HSBC has led to Mr P's credit rating being affected which prevented him from opening

another CDA with a different provider.

So, in summary, I'm satisfied HSBC has acted fairly and reasonably in closing Mr P's CDA.

#### *Customer service and administrative issues*

I've seen the message exchange between Mr P and his relationship manager in May 2023. I note one of the updates from the manager was:

*"When the old a/c is closed we can request a divert of future payments to your new account number- once this is ready, request the client a/c is closed and transfer the balance and any future transactions to the new account we can do this for as long as you receive payments into the old account"*

Mr P says the manager he usually dealt with and who sent him the above update abruptly left HSBC. And HSBC couldn't offer him an appropriate appointment to discuss opening a new business account as the appointments were all during the daytime, between Monday and Friday. Mr P has explained he had another job which meant he couldn't attend such an appointment and weekend appointments weren't available.

Given what Mr P has said, I find it plausible and persuasive that he relied on the bank manager to resolve his alternate bank account issue, and that he acted in good faith by thinking his future payments would be diverted. I'm not persuaded that the manager made it clear enough that when the CDA would close in June 2023, all future payments from Mr P's 'employers' would be sent back.

So I agree that HSBC should have dealt with this issue better, and by not doing so caused Mr P avoidable distress and inconvenience.

Mr P says that because of this he lost a month's income and didn't know who to contact to redirect the payments as he didn't have access to his OLB. However, HSBC made it clear in its notice of closure that the CDA and all *related services* would be withdrawn. I also think some burden of responsibility falls on Mr P to contact all his historic 'employers' to advise them of a change in bank details. It's not uncommon for a business to change its banking arrangements nor is it unreasonable to expect such a trade to keep appropriate records to facilitate this.

In passing, I'd add too that I haven't seen compelling evidence that Mr P suffered a financial loss. And in mitigation, I note he says it was fortunate he didn't receive a large payment into his CDA. So I won't be awarding any compensation for loss of income.

Mr P says he called HSBC to update it with his new address. HSBC say he should have done so for both his personal and business accounts as it has separate profiles for each. I haven't seen any term explaining this. Neither Mr P or HSBC have any record of what was said and agreed. I do accept however that a sole trader account isn't a separate legal entity like a limited company, so any information Mr P volunteered would likely apply to both his sole trader account and any personal accounts. And even if it's reasonable a business account may maintain a separate address, I think it would have been good practice and therefore fair in the circumstances of this complaint to have asked Mr P if the address change covered all his accounts.

This led to the closing balance cheque going to the wrong address in June 2023 and this was only cancelled and correctly resent in November 2023. So, on balance, I'm satisfied Mr P was deprived of access to his funds for longer than he should have - had things have happened as they should have. So HSBC should pay him 8% simple interest from when it

originally sent him the cheque to the wrong address to when it correctly did.

Mr P has explained in depth what impact the failings I identified above had on him – which include the distress and inconvenience of having to get in touch with historical contractors and employees and trace payments that may or not have been made to him. I also must take into mitigation that HSBC did nothing wrong in closing the account and that Mr P was aware of this. After carefully weighing this up, I'm satisfied £250 is fair compensation.

Lastly, I believe it's also important to explain that it's not the role of this service to supervise, regulate or impose fines on any business. It's also not our role to ask a business to alter its procedures or enforce changes to policies. That's the role of the regulator, The Financial Conduct Authority. My remit here is to decide whether I think HSBC acted fairly and reasonably when applying those policies and procedures in the individual circumstances of Mr P's complaint. And that is what I have done here.

### **Putting things right**

To put things right, HSBC should:

- Pay Mr P £250 compensation
- Pay Mr P 8% simple interest on the closing balance from 17 June 2023 until 1 November 2023\*

\*If HSBC considers that it's required by HM Revenue & Customs to deduct tax from that interest, it should tell Mr P how much it's taken off. It should also give Mr P a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate

### **My final decision**

For the reasons above, I have decided to uphold this complaint in part. HSBC UK Bank Plc must now put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 6 December 2024.

Ketan Nagla  
**Ombudsman**