

The complaint

Ms K complains that HSBC UK Bank Plc acted unfairly in blocking access to her current account.

What happened

Ms K held a credit card and current account with HSBC. In February 2024, Ms K contacted HSBC to inform them she was struggling financially. Soon after, Ms K entered into an Individual Voluntary Arrangement (“IVA”) through a debt management company. On receiving notice of the IVA, HSBC froze Ms K’s current account preventing her from using it.

On 20 March 2024, Ms K contacted HSBC to ask why a transaction she had tried to make had been declined. HSBC asked Ms K to provide a letter from the IVA practitioner to confirm it didn’t have any interest in the funds in her current account before it would agree to grant her access again. Ms K supplied this letter the next day. HSBC told her it would take up to 48 hours for the account to be unblocked. The block was lifted on 27 March 2024.

Ms K complained to HSBC. She said that she had been unable to access the funds in her account and that prior to entering into the IVA she had been assured that her current account wouldn’t be blocked. HSBC said that it was its usual policy to block access to account when it was notified of an IVA. However, it agreed to pay her £50 compensation for any distress and inconvenience caused by its delay in unblocking the account following receipt of the letter from the IVA practitioner.

Our investigator didn’t recommend the complaint be upheld. He didn’t think HSBC had provided Ms K with incorrect information concerning when an account might be blocked. While he did think there was an unnecessary delay in unblocking the account again, he was satisfied the £50 HSBC had offered was an adequate way to put things right.

HSBC accepted that outcome, but Ms K didn’t. In summary, she said that HSBC had told her debt management company that it wouldn’t freeze a current account when someone entered into an IVA.

The complaint has been passed to me for a decision.

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.

HSBC has supplied a copy of the current account terms and conditions which say that it can, under certain circumstances, limit or completely remove Ms K’s access to the account. One of those circumstances is where it becomes aware of an increased risk of Ms K not being able to pay back money owed to HSBC. As a starting point, I therefore think HSBC’s decision to block the account when it became aware of Ms K entering into an IVA wasn’t incompatible with the account terms both Ms K and HSBC had agreed to. However, while it might have been entitled to do so by virtue of the account terms, I’ve also considered

whether that was fair and reasonable in these specific circumstances.

I've not been presented with anything to suggest HSBC gave Ms K incorrect information in relation to what action it might (or might not) take if she entered into an IVA. Ms K appears to accept this 'misinformation' did not come to her directly from HSBC either. She says that HSBC gave incorrect information to her debt management company. However, I've not seen anything to persuade me that is more likely than not to have been the case.

Having reviewed what Ms K said about these conversations, it seems to me that it's arguably more likely that her debt management company gave her incorrect information. Ms K said:

"My nominated account manager at [the debt management company] informed me that, in the past, they would advise clients to open new bank accounts for everyday banking whilst submitting an IVA. However, over recent years, certain banks, including HSBC UK, had informed [the debt management company] that they had changed their policy and that customers would be allowed to continue their everyday banking."

This suggests that the debt management company did not reach out to HSBC directly about Ms K's specific circumstances. Instead, the account manager gave Ms K generic information about what they understood to be the case. It also isn't clear whether the account manager's understanding of any historic conversations between the debt management company and HSBC were accurate. I haven't seen anything to persuade me that what the account manager said had come from HSBC. I therefore can't reasonably conclude that HSBC acted unfairly. It seems to me, based on the available evidence, that Ms K's surprise at the account being closed and any inconvenience that flowed from that stemmed from the information she received from the account manager, not due to anything HSBC may have done wrong.

I note however, that HSBC took longer than necessary to unblock the account again once it had agreed to do so. HSBC has acknowledged this delay and agreed to pay £50 compensation for any distress and inconvenience this delay caused. I'm satisfied this is a fair way to put things right.

While Ms K says that she was unable to access funds in her account and had to borrow money from family, I'm not persuaded this initial issue was caused by anything HSBC did wrong. As I've said above, this stemmed from the wrong information she'd received, which on balance, I'm not persuaded involved HSBC. In deciding what would be fair compensation, I've therefore only taken into consideration HSBC's actions after it was notified of Ms K's request to unblock the account.

I've listened to phone calls between Ms K and HSBC and while she expresses dissatisfaction at the account block, she did not tell HSBC that it would cause her any significant issues in the short term. While HSBC did take longer than was necessary to unblock the account, the block was only in place for one week in total and was only extended unnecessarily by a matter of days due to HSBC's delays. Taking into consideration the overall impact of this short delay on HSBC's part, and that the initial cause of the underlying issue doesn't appear to have been caused by HSBC, I'm satisfied £50 compensation is fair in the specific circumstances of this case.

My final decision

For the reasons given above, I don't uphold this complaint. HSBC UK Bank Plc should pay Ms K the £50 compensation, if it hasn't already done so.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms K to accept or reject my decision before 21 February 2025.

Tero Hiltunen
Ombudsman