

## **The complaint**

T complain HSBC UK Bank Plc (“HSBC”) restricted their accounts and later only partially released some of their funds despite sending it sufficient evidence of their proof of entitlement. T are also unhappy HSBC caused avoidable delays, didn’t provide an explanation, continued to charge them monthly account fees, and closed their account.

T say HSBC’s actions caused them substantive financial loss, difficulty in operating their business including paying clients and salary, loss of reputation with clients, and inconvenience.

To put things right, T want HSBC to return their remaining funds and pay them 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.

This decision only deals with HSBC’s actions in relation to T’s accounts, and not any complaints associated with their director’s personal accounts. That’s because T is a separate legal entity to its director - and the eligible complainant for the purposes of this complaint.

In November 2023, HSBC restricted T’s accounts. HSBC later explained that it had done so to comply with its legal and regulatory obligations. And that it can’t provide any more of an explanation. HSBC also asked T for invoice copies for five payments it had received from two separate sources. T sent invoice copies to HSBC. Unhappy with HSBC’s actions, T complained. HSBC didn’t uphold T’s complaint.

In January 2024, HSBC notified T that it had decided to close their accounts and any banking services it provides. T say they didn’t receive this letter and were only able to get it after asking HSBC for it. HSBC also said that it believes T isn’t entitled to some of the funds in their account. So it would withhold some of the funds and return the rest to T by cheque. HSBC retained around £55,000 and sent a cheque for the remainder of the balance, around £56,000 to T.

T weren’t happy HSBC sent them a cheque particularly as they didn’t receive the first one issued in February 2024. T say they didn’t receive the second issued cheque neither and add that HSBC should’ve transferred the funds to their new business account with another provider electronically. T then raised this issue again with HSBC in March 2024. T say they then received a cheque, which was the third issued by HSBC, on 21 March 2024 for the partial funds of around £56,000.

T referred their complaint to this service. One of our Investigator’s asked both parties to provide more information – particularly they asked T to provide them with more evidence of their entitlement to the funds HSBC were holding.

T sent substantive information to this service which ranged from remuneration spreadsheets related to its business dealings, screenshots of the digital product it contributes to, contracts with its business partners and clients, screenshots and messages showing regular correspondence with its business affiliates, and a video showcasing the type of digital products it procures on behalf of its clients. This information was passed to HSBC who didn't agree it showed sufficient proof of entitlement to the funds it was withholding.

Our Investigator then asked T for more information which included more formal documents, like a contract, with a specific business associate. T said that agreements were made over the phone and email on a more informal basis given the longstanding relationship between the director's husband and corresponding business owner. T also provided an excerpt of messages between them and this overseas business. HSBC didn't agree this information made a difference.

Our Investigator then said they didn't recommend the complaint is upheld. In summary, their key findings were:

#### *Account block and closure*

- HSBC reviewed and restricted the account in line with its obligations. Direct debits aren't typically paid when an account is restricted, so they can't say HSBC should have honoured the payment T says wasn't made
- HSBC didn't make an error in closing T's accounts in the way it did, and it doesn't need to provide an explanation
- The closure notification letter was addressed to T at their registered address with this service. It's likely this letter was sent, and HSBC can't be held to fault for any postal issues. T received an email copy of the notice to close letter on 11 January 2024. Whilst there may have been a slight delay from the letter and the email being sent, there is little impact to T

#### *Time taken to receive partial funds*

- They can't make a finding on T's director's personal salary losses
- HSBC's system notes show a cheque was issued on 13 February 2024. So it does appear cheques were issued in line with what HSBC say. HSBC can't be held liable for any postal issues
- HSBC's terms and conditions indicate that a cheque will be issued to defund an account once it's been closed. So HSBC wasn't unreasonable in sending a cheque and it acted in line with its procedures
- HSBC doesn't need to provide T with an explanation for why its withheld some of the funds. T has provided information to both HSBC and this service, but HSBC doesn't need to take any further action on this point

#### *Communication*

- This service can't consider any distress T's director says they suffered

- HSBC didn't have to provide an explanation about the restrictions, updates on its progress, and timescales to T
- It's possible HSBC could have communicated better during its review, but it wasn't able to share any more information with T. HSBC's communication about the closure of T's account could've been better, but it didn't fail in its responsibility here to the extent compensation should be awarded

#### *Account fees*

- Account fees were still taken by HSBC for November 2023, December 2023, and January 2024. Two months' worth of these fees were refunded in February 2024 – and then a final month of fees was charged by HSBC. It wasn't wrong for HSBC to take the fees it did, as the account was under review, and it was still providing a service despite the review. So HSBC doesn't need to refund any more fees

T didn't agree with what our Investigator said. Some of the key points they made were:

- The Investigator's recommendations are vague. And the director withdrew their personal complaints with HSBC
- The return of the remaining funds, which is their actual complaint, remains unresolved. T have spent significant time in providing more information, and made detailed presentations to demonstrate the legitimacy of their business activity

Our Investigator explained they had addressed the main issue in T's complaint about the funds being returned by saying HSBC didn't need to take further action at this point. And that all the information T provided has been reviewed and considered by them.

T clarified that they agree with HSBC's decision to close their accounts but need an explanation for why some of their funds are still being withheld by it. T also sent in ombudsmen decision references which they say show HSBC have been directed to return funds to consumers by this service.

HSBC still didn't think T had shown entitlement to the funds it was withholding.

As there is 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 T 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 not to uphold this complaint. I'll explain why.

### Account review, restriction, and closures

Banks in the UK, like HSBC, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

I would add too that these obligations generally cover the entire period of its customer relationship – from application to eventually the end of the relationship. This includes KYC checks and/or Customer Due Diligence (CDD). It's worth noting these checks include not just the verification of a customer's identity, but also establishing the purpose and intended nature of the business relationship and origin of funds.

HSBC has provided me with a detailed explanation and supporting evidence for why it reviewed and restricted T's accounts. Having carefully review this, I'm satisfied HSBC acted in line with its obligations in doing so.

HSBC is entitled to close an account just as a customer may close an account with it. But before HSBC 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 T had to comply with, say that it could close the accounts by giving them at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

I note T say they agree with HSBC closing their accounts. But I've looked at this given it is inextricably linked with its decision to withhold some funds. Having carefully considered the evidence presented to me by HSBC, I'm persuaded it has acted in line with the terms of the accounts in closing them in the way it did.

### Return of funds

This brings me to the crux of T's complaint; that is, HSBC has acted unfairly by not returning *all* their funds, and so withheld a substantive amount, despite sending a great deal of evidence of their business activity and entitlement to the funds. T say HSBC's actions in relation to this has caused them severe inconvenience, loss of reputation, and financial loss.

I'd like to assure T that I've very carefully reviewed all the information they have sent this service relating to how they conduct their business and evidence of their entitlement to the funds. I've also considered, in confidence, all the information and explanations HSBC has provided for why it thinks it's appropriate to withhold the funds it has.

After weighing everything up, I'm satisfied HSBC has these processes in place to comply with its legal and regulatory obligations. So, I can't say HSBC has done anything wrong by asking T to provide information in order to complete this process. And importantly, I'm persuaded HSBC is acting in line with its obligations, and doing so fairly, by withholding the funds.

It's arguable that HSBC could have done more itself to get further information from T, as our Investigator has. But HSBC must balance that against its regulatory and legal obligations. In saying this, the further information T provided this service still isn't enough. So I don't think even if HSBC had asked for more information from T that it would've made any difference. That means I won't be directing HSBC to return T's remaining funds.

It's understandable that T would want to know exactly what the problem was with the

documents they provided to HSBC. But I would add that our rules allow us to receive evidence in confidence. We may treat evidence from financial businesses as confidential for a number of reasons – for example, if it contains information about other customers, security information or commercially sensitive information. Some of the information HSBC has provided is information we consider should be kept confidential. This means I haven't been able to share a lot of detail with T, but I'd like to reassure them that I have considered everything.

If T can provide more information that they think better shows their entitlement to the funds, then HSBC should consider it.

As I don't think HSBC has done anything wrong in restricting and closing the accounts, and for withholding some of the money, I see no basis to award any compensation for the inconvenience, financial loss or loss of reputation they have sustained.

#### Other points

T are unhappy that they didn't receive two cheques in the post, and so had to wait over a month for some of their funds to be returned. T say that HSBC should have transferred them the money electronically. HSBC say that it is its process to send a cheque and it didn't have external bank account details for T to do so. But I have seen an email to HSBC in which T gave them their alternative and new bank details. That means T were potentially deprived of their funds for several weeks more than they should have.

But I don't find awarding T compensation would be fair or appropriate for this. I understand T would want to know the information I have weighed to reach this finding. But I am treating this information – as I've said before - in confidence, which is a power afforded to me under the Dispute Resolution Rules (DISP), which form part of the Financial Conduct Authority's regulatory handbook.

I also think it was most likely HSBC sent the closure notification letter to T as it was correctly addressed. I haven't seen evidence that T was having postal issues. I also don't think a delay of receiving it later by email caused much impact given it wouldn't have altered the course of what happened thereafter.

T argue that HSBC should've have communicated better about the review and provided a more detailed explanation. But HSBC is under no obligation to so.

I note HSBC refunded some fees on the accounts but not others whilst they remained open yet restricted. I'm persuaded HSBC hasn't done anything wrong here given it was still providing an account albeit with restrictions it applied due to its wider obligations.

Lastly, in response to the investigators view, T said they are concerned the investigator is biased as they sided with HSBC. Whilst I do recognise T's concern, as an ombudsman service our approach is to consider what both parties say and then reach our own independent conclusions on what is fair and reasonable based on that evidence.

In considering what is fair and reasonable in all the circumstances of the case, I must take into account all relevant law and regulations; regulators' rules, guidance and standards; codes of practice; and where appropriate what I consider to have been good industry practice at the relevant time.

And that is what I have done in this complaint. If T doesn't accept this final decision, they will be free to continue to pursue their concerns by other means should they wish to do so. I cannot, however, advise them on how to go about doing that.

**My final decision**

For the reasons above, I have decided to not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 13 December 2024.

Ketan Nagla  
**Ombudsman**