

## **The complaint**

A company, which I'll refer to as C, complains that HSBC UK Bank Plc caused C inconvenience when requesting Know Your Customer documents.

Mr P, who is a director of C, brings the complaint on C's behalf.

## **What happened**

C had an account with HSBC.

In February, March and April 2023 HSBC sent Mr P letters asking him to complete Know Your Customer (KYC) documents for C.

The letters said that the review needed to be completed by May 2023, but HSBC didn't receive any response from Mr P.

On 5 May 2023 HSBC sent a letter to Mr P notifying him that C's account with HSBC would be closed on 14 July 2024

On 4 July 2023 Mr P replied to HSBC with the requested KYC information. But on reviewing Mr P's signature on the forms they thought that it didn't match Mr P's signature on opening C's account. And so, they didn't accept the documentation.

Shortly after receiving the documentation HSBC tried to phone Mr P to confirm the form was submitted by him – however despite phoning him on three occasions they were unable to confirm this.

On 17 July 2023 C's account was restricted. Shortly after Mr P visited his local branch but he wasn't able to speak with a business banking advisor to complete the KYC documentation.

On 19 July 2023 Mr P had a conversation with HSBC where they agreed to a 60 day extension for the review. HSBC said they'd provide Mr P with an activation code to allow him to complete the KYC documentation within five working days, but the activation code wasn't sent until 31 July 2023.

Due to HSBC's failure to send Mr P the activation code as they'd promised Mr P asked HSBC to close C's account. And on 2 August 2023 HSBC paid C's account balance to Mr P.

HSBC accepted the customer service they provided to Mr P wasn't acceptable including failing to send the activation code within five working days. But, HSBC thought they'd acted fairly in requesting additional KYC information and restricting C's account after Mr P's lack of response. They offered Mr P £300 compensation for their failings, but Mr P rejected this.

Mr P brought his complaint to our service.

He explained that C is a building company, and without access to the funds he couldn't pay for labour or materials, draw wages or pay his living expenses. Mr P explained he also had to use money from other personal accounts to pay for his VAT and tax bills. Mr P also

outlined the significant amount of time he spent on the phone with HSBC trying to get this issue resolved.

One of our Investigators looked into Mr P's complaint. They thought HSBC acted fairly when deciding the signatures didn't match and restricting C's account. And HSBC's offer of £300 fairly compensated C for their errors.

HSBC accepted but Mr P didn't agree. In response Mr P explained that he was at risk of missing several payments due to HSBC's actions, but moved money to cover them. And the view didn't address that his credit rating was negatively impacted due to payments missed on C's Bounce Bank Loan (BBL).

Mr P's advised that he has a separate complaint with HSBC regarding C's BBL. So, I won't be considering this in my decision.

As an agreement hasn't been reached the case has been passed to me to decide.

### **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.

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 that Mr P and HSBC have said before reaching my decision.

HSBC are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They're also required to carry out ongoing monitoring of new and existing relationships. That sometimes means they need to request additional KYC documentation from their existing customers, which happened in Mr P's case.

I appreciate that Mr P may have found the request for further documentation inconvenient, but HSBC must ensure that they keep their due diligence checks updated at all times.

I've reviewed the letters HSBC sent to Mr P between February and May 2023. I can see that HSBC were clear in informing Mr P what steps he needed to take and the potential consequences if this didn't happen.

The letters stated 'we may have to give you notice that we'll close your accounts if we don't received the required information to complete your Safeguard review'. And they asked for the information to be provided as quickly as possible so the review could be completed by 5 May 2023. As Mr P didn't respond. I can't say it's unfair that HSBC decided on 5 May 2023 to issue C with 2 months' notice to close its account.

Mr P provided the requested documentation to HSBC on 4 July 2023. But this wasn't accepted as on reviewing the documents HSBC thought the new signature didn't match that provided on account opening. I've seen a copy of Mr P's signature on account opening and the signature provided on the KYC documentation. I understand that HSBC didn't compare the two signatures via any software, instead a manual comparison was carried out. I'm not a handwriting expert, however I can understand why HSBC thought the signatures didn't

match. And wanted further clarification that it was Mr P who'd submitted the requested documentation. It follows, I can't say it was unfair that they decided to not accept the KYC documentation provided.

As HSBC weren't able to speak with Mr P, C's account was restricted from 17 July 2023 – three days after HSBC originally planned to close the account. HSBC have accepted that they made errors after speaking with Mr P on the phone on 19 July 2023, when they failed to send an activation code to him within five working days as agreed. This wasn't sent until 31 July 2023.

If HSBC had provided the activation code within five working days it would have been sent to Mr P by 24 July 2023. And C's account would likely have then been unrestricted soon after. I'm satisfied this did cause C inconvenience, and led to C's account being restricted for longer which impacted on their business operations including being unable to pay wages or buy materials. I also appreciate that Mr P spent a significant period of time on the phone to HSBC trying to resolve the restriction.

Mr P's advised that he needed to move money around to C's pay bills and avoid missed payments. I've seen evidence he's shared to show this was the case – and I'm satisfied that this forms part of the inconvenience caused to C by HSBC's error. I'm pleased to see that by doing so Mr P managed to meet C's financial obligations.

### **Putting things right**

HSBC offered Mr P £300 compensation for the inconvenience caused to C. As C's a limited company I'm only able to make awards for the inconvenience caused directly to C – and not the impact to any of its directors. I understand that Mr P will be disappointed in my conclusion but having considered our services distress and inconvenience awards I'm satisfied that the £300 offered by HSBC is fair compensation for the impact caused to C.

### **My final decision**

My final decision is I uphold this complaint and direct HSBC UK Bank Plc to:

- Pay C £300 compensation for the distress and inconvenience caused

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 4 November 2024.

Jeff Burch  
**Ombudsman**