

The complaint

M a limited company, complains HSBC UK Bank Plc unfairly withheld funds it was entitled to.

M is represented in this complaint by Mr B, a director of M.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points.

M held a business account with HSBC which it opened in February 2023. On 3 April 2023 M's account received a payment of £156,618 from a third party. This payment triggered an internal review of M's account. HSBC froze M's account whilst it carried out a review.

Based on its review HSBC made the decision to end its banking relationship with M. A notice to close letter was issued to M on 17 May 2023. This explained the account had been suspended and that no further payments could be made into the account. HSBC explained it had acted in line with the account terms and conditions. The account was fully closed on 11 July 2023. At this point HSBC still had not released the funds M had received in on 3 April 2023. They were returned to M on 29 December 2023.

Mr B raised a formal complaint about the suspension of the account and HSBC's decision to withhold funds. HSBC issued s final response letter on 18 May 2023 explaining it was permitted to restrict and close M's account in this manner.

Mr B remained unhappy and referred M's complaint to this service. Mr B explained the suspension and closure of the account had a significant financial impact on himself and on M. In particular Mr B says HSBC should pay M over £30,000 due to the financial distress caused. Mr B also says an additional £10,000 should be paid to cover the accounting fees and legal fees incurred in trying to recover the funds.

An Investigator reviewed the complaint. The Investigator gathered evidence and attempted to mediate the complaint. Mr B provided evidence in relation to the payment into M's account. Overall, the Investigator suggested the following resolution:

- HSBC's review M's account following the payment in on 3 April 2023 was fair given its legal and regulatory obligations.
- The account review should've been carried out in a timely manner. HSBC accepts there were delays. It says the review should've been completed by 14 April 2023.
- HSBC should pay interest from 14 April 2023 to 29 December 2023 at 8% simple.
- HSBC also offered to reopen M's account if it wishes to continue banking with HSBC.
- Provide a letter for M regarding the account block so Mr B can provide it to a third party as M missed payments during the account block period.
- Pay Mr B £750 for the inconvenience caused to him by the account suspension.
- HSBC agreed to the proposed resolution. Mr B remained unhappy and explained the

compensation failed to adequately reflect the impact on M. In total Mr B says HSBC should compensate M with over £65,000.

As no agreement could be reached the complaint was referred to an ombudsman for a final 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.

I've included my provisional decision below.

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Firstly, I'm aware that I've only summarised Mr B's complaint points. No discourtesy is intended by this. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts. I can assure Mr B that I have carefully his detailed submissions.

Account restriction and closure

HSBC is 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 restrict customer's accounts – either in full or partially while they carry out their review. As part of the review, HSBC is also able to make enquiries about transactions on an account. These measures help ensure HSBC is able to effectively meet its obligations in relation to financial crime. HSBC also isn't obliged to provide notice of any review. Mr B says he told HSBC about the incoming payment which prompted the review. I appreciate Mr B may have done this, but notification of the payment wouldn't be sufficient in itself to ensure HSBC had discharged it's legal duties.

M's account terms and conditions also allow HSBC to block the account to ensure it's able to comply with its regulatory requirements. I understand Mr B's frustration with the block, and I don't doubt it would've had a detrimental impact on M. I've looked at the reasons HSBC withheld funds and blocked the account, and I'm satisfied HSBC acted in line with its obligations and acted both fairly and reasonably. So, I don't think HSBC did anything wrong when it restricted M's account.

HSBC's review of M's account led to its ultimate decision to close the account. HSBC is entitled to set their own policies and part of that will form their risk criteria. The terms and conditions of M's account set out that the bank can close the account by providing M with 60 days' notice. In certain circumstances, it can also close the account immediately. In this case HSBC blocked M's account, so I consider this to be akin to an immediate closure. For HSBC to act fairly here they needed to meet the criteria to apply their terms for immediate closure. Based on the available evidence I think it was reasonable for HSBC to have closed the account in this manner.

Delays and compensation

Mr B has provided detailed submissions about the impact the account block had on M. I have carefully considered these, and I appreciate the block was placed at what was a crucial time for M as it had received capital investment and had plans in place for the launch of the

business. But I must balance these factors against HSBC's reasons for reviewing and blocking the account, which as I have explained above were legitimate.

While M's complaint has been with our service HSBC has released the funds to M. But Mr B wants compensation for time the review and release of the funds took HSBC. I recognise the overall time this situation took. And I accept that Mr B has been without the funds paid in for a considerable amount of time.

As part of this service's review of M's complaint further information has been gathered to ascertain the source of the payment into M's account. Although HSBC has released the payment to M, this service must also be satisfied that M has met the evidential requirements of its entitlement to the funds. Based on Mr B's comments about the source of funds, I don't find awarding M interest at 8% and compensation would be fair or appropriate.

So, I'm not requiring HSBC to compensate Mr B for any inconvenience that he as director of M, may have experienced as a result of HSBC carrying out its review, and the further dissatisfaction he experienced which ultimately flowed from not having access to the funds in M's account. This includes his dissatisfaction with HSBC's service, communication and handling of his concerns.

I realise Mr B will be disappointed by my provisional decision. I currently find HSBC had a legitimate basis for blocking M's account and it doesn't need to award Mr B any further compensation.

Responses to the provisional decision

HSBC accepted my provisional decision.

Mr B responded to my provisional findings reiterating the key aspects of his complaint. I won't repeat these here, but I can assure Mr B that I have carefully considered all his submissions when reaching my decision.

In his response Mr B explains my findings are perverse. I understand Mr B's surprise at my findings given his complaint had previously been upheld. However, this service has a two-stage process and Mr B requested an ombudsman review. This meant all the information on the complaint has been reviewed afresh so that I can reach my own conclusion. When reaching my decision, I am not bound by recommendations or findings made at Investigator stage. My provisional decision set out my initial findings to allow Mr B an opportunity to provide final submissions given the change in outcome.

Mr B states that my provisional findings suggest HSBC is blameless and could've held onto the funds in M's account indefinitely. Mr B also explains that HSBC's decision to return the funds and open a new account for M demonstrates that there was no basis for the funds to be retained. I've thought carefully about Mr B's additional comments, but I stand by my provisional review. The Investigator looked at the available evidence and found that Mr B had provided enough information for the funds to be released to M. However, my review of the same evidence has led me to a different outcome, and although HSBC agreed with the initial recommendations, it wouldn't be fair or reasonable for me to endorse this approach if I wasn't persuaded the outcome reached was appropriate.

When HSBC initially blocked M's account a detailed proof of entitlement exercise should've taken place. However, based on what I have seen HSBC's review was incomplete. As part of this service's review more detailed information was gathered, and after looking at this evidence in detail I am not satisfied M has met the evidential requirements of its entitlement to the funds. Although the funds have been released prior to my review, I am still required to

consider what would be fair and reasonable in the circumstances of this complaint. I am not satisfied that awarding interest on the funds, or compensation would be appropriate in light of the evidence I've seen.

I know this will not be the outcome Mr B was hoping for and he will be disappointed with the decision I've reached. But I hope my decision provides some clarity around why I won't be asking HSBC to take any further action.

My final decision

My final decision is that I don't uphold this complaint.

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

Chandni Green
Ombudsman