

The complaint

X complains about the service he received from HSBC Bank UK PLC ("HSBC") when it applied a block to his account following two fraudulent withdrawals. In particular, X is unhappy about the length of time his account was blocked resulting in him missing payments that were due to go out and this negatively impacting his credit file.

What happened

X held an account with HSBC where he conducted his everyday banking. On 28 March 2024 X received a text message from HSBC stating that his account was overdrawn and shortly after this another message saying his account had a temporary block put on it.

X checked his account and noticed a withdrawal from his account for £750 which he didn't recognise and so he reported this to HSBC who asked he attend branch and present ID which he did as requested on 30 March. HSBC told X it was unable to talk to him further about the withdrawal and block while it was being investigated.

X attended HSBC's branch again on 2 April to discuss the charges for being in his overdraft and asked whether his direct debits would be affected. X says he was told he wouldn't receive any overdraft charges and that his direct debits wouldn't be affected. Shortly after leaving the branch he received a call from HSBC who asked whether he had just withdrawn £800 from a branch located elsewhere which X confirmed wasn't possible.

On 3 April HSBC's initial investigation finished and X received a text message letting him know that HSBC had refunded the two payments of £750 and £800 back to his account. The block however remained in place as HSBC says it needed X to once again attend branch with his ID though HSBC have been unable to evidence it informed X he needed to do this.

Not being able to pay his phone bill X attended HSBC's branch on 11 April to withdrawal cash to cover bills. HSBC temporarily lifted the block on the account to facilitate this but applied the block straight away after this at which point X decided to open a bank account with another provider which he did the same day.

X says after this several of his direct debits failed including mortgage payments on two of his properties, his children's school dinners and a personal loan payment. So X went back into branch on 18 April and withdrew his salary which he paid into his new account and proceeded to organise his direct debits to be paid from his new account. HSBC have confirmed that no further salary credits were made to X's HSBC account after 5 April.

X complained to HSBC about all of this and failing to get a response within eight weeks brought his complaint to this service.

Following this HSBC reviewed X's complaint and agreed that the block could've been removed from X's account on 28 May 2024 as this was when he had presented identification in branch. HSBC unblocked the account and offered X £300 compensation as well as paying 8% simple interest on the balance of X's account from 28 May 2024 until X's account was unblocked.

X was dissatisfied with this as he says the block on his account:

- affected his direct debits and he'd received several letters from creditors about missed payments which meant he had to arrange for multiple payments to go out of his newly set up account with another provider which took time;
- has severely affected his credit score which has led to his overdraft being removed and the limit on his credit card being reduced;
- limited him to only being able to withdraw his salary from his HSBC account which meant he didn't have enough to cover his loan payments held with HSBC resulting in him having to apply for "Breathing Space" which again affected his credit score;
- couldn't pay for and as a result lost insurance policies on his rental property; and
- was unable to make everyday purchases or afford bigger purchases like a family holiday.

Our investigator considered all this but didn't think HSBC had treated X unfairly or had made an error in applying restrictions to X's account while it conducted a review of the account activity following the two withdrawals X said he didn't make, as it has a regulatory requirement to check such transactions passing through its customers' accounts.

But they thought HSBC took too long to review the account and lift the restrictions as it appeared to them that the initial investigations into what happened ended on 3 April 2024 yet X's account remained blocked until 5 September and HSBC haven't been able to provide evidence to show that it contacted X to request he attend branch to provide ID and have the blocks lifted.

They thought the blocks had impacted X in that he had to spend time opening an account with another provider and rearrange his direct debits to be paid from this account as well as arrange for his salary and rental income to be paid here going forward.

But they couldn't find any evidence that X had lost a property insurance policy due to the block as the annual premium would've been due to go out before the block was applied.

Furthermore, they didn't agree that the block caused X to miss payments on a personal loan as he was able to make a payment after the block was applied on 2 April and had set up and was using his new account which was being funded by his salary by the time the next payment was due, and so he could've paid his loan payments from here had he chosen to do so. And so they didn't think HSBC were necessarily responsible for any negative entries on X's credit file due to missing these loan repayments or the block HSBC had applied to his account.

They agreed the block initially caused X some inconvenience until he was able to set up another account on 11 April and that X had to make multiple phone calls and trips to branch after 3 April, but X was able to mitigate the impact the block had on him by opening a new account relatively quickly and had access to funds held in a savings account to pay for things - though they accepted X might've been under the impression he could only withdraw his salary.

Taking this all into consideration our investigator thought HSBC should pay X £500 compensation for the distress and inconvenience caused and calculate and pay 8% simple interest on X's account from 3 April 2024 until the date the account was unblocked which HSBC has agreed to.

X disagreed with the amount of compensation and has asked for an ombudsman's 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 hope that X S won't take it as a discourtesy that I've condensed his complaint in the way that I have. Ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of the complaint. Our rules allow me to do that.

I've provided a detailed background of X's complaint above which I think covers the most important parts of X's complaint of which is about the service X received from HSBC when it applied a block to his account and the impact it has had on him financially - including affecting his credit score negatively - and the significant inconvenience and distress he suffered as a result of this incident.

It might be helpful for me to say here that, I don't have the power to tell HSBC how it needs to run its business and I can't make HSBC change its systems or processes – such as how or when restrictions are applied to a customer's account. Nor can I say what procedures HSBC needs to have in place to meet its regulatory obligations. We offer an informal dispute resolution service and we have no regulatory or disciplinary role.

That said I don't think it was unreasonable for it to have systems and procedures in place – in this case applying restrictions to account whilst it carries out a review on account activity when a fraud has been reported. This is needed not only to protect businesses against criminal activity, but also its customers.

And having considered everything carefully I'm in agreement with our investigator that HSBC failed to keep X properly informed about the progress of the investigation and what was needed to have the restrictions lifted and that it should've lifted the restrictions sooner than it did.

I say this because although I don't think HSBC did anything wrong or treated X unfairly by applying the restrictions to his account while it conducted its review or asking X to attend branch with his ID, I can't see why after X had done this and after it had completed its initial investigation and refunded the withdrawals on 3 April it didn't lift the restrictions then.

Instead, the blocks remained and it took X to bring his complaint to this service to have the blocks lifted five months later.

HSBC have already agreed it made a mistake in failing to remove the block from X's account sooner than it did and have agreed with our investigators recommendation it pay X £500 compensation for the distress and inconvenience caused and applying interest to X's balance at 8% from 3 April 2024 to when the block was lifted.

So I don't need to make a finding here. All I have to decide is whether the compensation recommended here and agreed by HSBC, is a fair way to settle X's complaint. And I think it is.

X says his credit score has been negatively impacted and went down from April 2024 and he can no longer get the credit – such as his overdraft - that was available to him before due to missed payments while his account was blocked. Although I accept X's credit score might have changed over the period X's account was blocked, I'm not persuaded this was due to

an error on HSBC's part. I say this because I can see that despite the block being applied X was able to make his April loan payment and I can see X had enough of a balance in his new account to make the following loan payments had he chosen to do so.

Furthermore, I appreciate X's overdraft limit may have been reduced, but overdrafts by their very nature are a form of short-term lending and are repayable on demand and it could be any number of reasons why HSBC no longer wanted to provide the level of overdraft X had before this incident.

So I can't say the missed payments were due to HSBC failing to remove the block on his account and that it was HSBC's actions that negatively impacted X's credit score rather than X's inaction in making his loan repayments. And my understanding is that following the removal of restrictions X entered into a payment plan for his loan which suggests to me his loan payments weren't unpaid due to the block, but rather X being unable to make his payments due to his financial circumstances.

And I can't say any of the failed direct debits were due to an error on HSBC's behalf either. As the information X has provided suggests that the direct debits failed due to X cancelling the direct debit instruction with HSBC.

X also says the blocks affected his ability to renew an insurance policy on one of his property's and that they weren't able to make everyday purchases or take a family holiday over the summer due to not being able to access his money. But X hasn't provided any evidence of the block causing his insurance to lapse and as our investigator noted X's statements show that it was likely the policy was due for renewal before the block was applied as the last payment was taken around March 2023.

It's noteworthy that X had around £3,000 in savings accounts with HSBC where no restrictions were applied. I accept X might well have been under the impression that these were also restricted but again I can't say that is due to an error on HSBC's part as I've not seen anything to suggest HSBC had told X he couldn't access this money or that it had prevented him from doing so in branch.

And nor have I seen any evidence of purchases or holidays X had planned or wished to take but couldn't. But X has listed of a number of items that were due to be paid that he's said he needed to save for such as educational fees, car insurance and a tax bill. And I can see from X's bank statements despite this he was able to still take a holiday in August and that a number of transactions left his new account that I would consider non-essential spending. So I can't say the cause of X not taking a family holiday he wanted was due to the continued block applied to his account.

Nevertheless, being limited in your spending and not being able to access all the funds in your account and being forced to spend time opening another account and move your banking to mitigate your circumstances would've been highly inconvenient and undoubtedly very distressing. And this was compounded further by HSBC failing to lift the block at the earliest opportunity – which I consider to be 3 April when it refunded the transactions in question - but did nothing to proactively assist X in having the restrictions lifted but rather leaving the matter to drag on for an unacceptable amount of time.

So on this basis I think that the compensation as recommended by our investigator and accepted by HSBC would be a fair way to settle X's complaint. I appreciate X doesn't believe this is enough, but my role isn't to punish or penalise HSBC for its behaviour and although I accept that X has been inconvenienced and distressed by the service received and the delay in removing the block to his account, I'm not persuaded X's financial position overall was

impacted negatively due to the inaction of HSBC rather than the choices X made and his personal financial circumstances at the time.

My final decision

For the reasons I've explained, I uphold X's complaint against HSBC UK Bank Plc and direct it now pay him £500 compensation plus 8% simple interest on the balance of X's account from 3 April 2024 until the date the account was unblocked.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 16 January 2025.

Caroline Davies
Ombudsman