

The complaint

Mr Y complains HSBC UK Bank Plc unfairly closed his account without notifying him.

What happened

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

Mr Y held a HSBC current account. Mr Y had no agreed overdraft facility on this account. On 12 December 2023 Mr Y's account went overdrawn and he was sent a text message advising him of this. As the balance wasn't corrected by Mr Y HSBC sent emails to him on 18 December 2023, 8 January 2024 and 31 January 2024. Mr Y credited his account on 1 February 2024.

On 5 February 2024 Mr Y's account went overdrawn again. HSBC sent a text to Mr Y and numerous emails were sent up until 8 April 2024. As no response was received from Mr Y, and no credits were received HSBC began its account closure process.

In June 2024 Mr Y raised a formal complaint with HSBC about the closure of his account. Mr Y said he hadn't received any communication from HSBC regarding the overdrawn balance and its decision to close the account. Mr Y said he relied on the account and HSBC's actions were unfair.

HSBC reviewed Mr Y's complaint and found it had acted fairly in its management of the account. In its response dated 4 June 2024 it said it was unable to reverse its decision to close his account but explained that it hadn't communicated with Mr Y properly and offered him £75 in recognition of this shortcoming.

Mr Y remained unhappy and referred his complaint to this service. An Investigator reviewed the complaint and in summary, made the following findings:

- HSBC's reasons for closing the account are fair and in keeping with the account terms.
- The £75 offer from HSBC for not sending Mr Y letters about the situation is reasonable.

Mr Y disagreed with the Investigator's review and maintained HSBC had treated him unfairly. Mr Y asked for the compensation to be increased to £500. The Investigator asked HSBC to consider this and HSBC said it wouldn't be increasing its offer.

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.

Firstly, I am sorry to see Mr Y has had cause for complaint – I can understand his frustration with the situation, especially as he has explained he was particularly busy at time the account went overdrawn. However, having looked at the complaint fully, my review of the evidence has led me to the same overall conclusions as the Investigator previously set out and for much the same reasons. I will explain why.

It's generally for banks to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a very good reason to do so, this service won't usually say that a bank must keep a customer or require it to compensate a customer who has had their account closed. At times, following a review, banks sometimes choose to end their relationship with customers. This can be due to a number of reasons and a bank isn't obliged to give a reason to the customer. Just the same as if Mr Y decided to stop banking with HSBC he wouldn't have to explain why.

In Mr Y's case the decision to close Mr Y's account was due to his persistent use of an unauthorised overdraft. Overdrafts are provided to customers at the discretion of a bank, and they are a credit facility which are repayable on demand. The terms of Mr Y's account detail these characteristics of an overdraft, and specify details of an unarranged overdraft, which is what Mr Y had. The terms state an unarranged overdraft are for emergencies and that an account holder must bring the account back in credit as soon as possible, and within 31 days of the account going overdrawn.

As Mr Y's account was overdrawn for a significant period HSBC contacted Mr Y multiple times regarding the need for action. If Mr Y required assistance, he was encouraged to contact HSBC to discuss matters. This is the type of action I would expect HSBC to take as it has important regulatory duties regarding consumer debt and it has a duty to ensure customers are informed of any outstanding debts and provided with support if needed.

As no response was received from Mr Y HSBC started its closure process. Banks should give reasonable notice before closing an account. Usually that means 60 days' notice, and in Mr Y's case HSBC informed him that the account would be closing in two months. So, I'm satisfied HSBC closed the account in line with the relevant terms. The notice period provided Mr Y with adequate time to make other financial arrangements and bring the account back into credit.

A key part of Mr Y's complaint is that he didn't receive any letters regarding the overdraft and closure. HSBC has explained Mr Y's communication preference was to receive emails and text messages, and I can see from HSBC's internal notes that it communicated with Mr Y using these channels. Mr Y has also confirmed he had access to his statements and online banking, which would've shown the overdrawn balance. HSBC accepts that a letter regarding the closure should've been sent and offered Mr Y £75 in recognition of this.

Mr Y says HSBC should pay £500 for failing to write to him about the account closure. Reaching an award for distress and inconvenience is seldom straightforward. The issues involved are subjective by their very nature and the impact on the consumer can be difficult to determine. Our awards are not intended to be punitive for businesses. The primary purpose of our awards for distress and inconvenience are to recognise the impact on a consumer where there have been shortcomings. In Mr Y's case I've considered the timeline of events and the underlying issues – Mr Y had failed to follow the account terms and didn't engage with HSBC's communication with him. So although I can understand Mr Y's concern at not receiving paper correspondence, HSBC was following his communication preference, and I don't think this aspect of its handling of his account warrants further compensation.

In response to the Investigator's view Mr Y said he asked HSBC for an overdraft many times. I am unable to comment on the specifics of this issue as it hasn't formed part of Mr Y's main complaint. However, I will highlight that overdrafts are provided at the discretion of a bank, and numerous factors – such as affordability and account usage – will all need to be considered. Mr Y should raise concerns directly with HSBC if he thinks his requests for an overdraft were unfairly declined.

Mr Y also says the amounts he was overdrawn by were minimal. I agree the amounts were relatively small, but HSBC still had a duty to inform Mr Y of them and ask him to bring the account into credit, regardless of the overdrawn balance.

After considering all the evidence I won't be asking HSBC to take any further action. I appreciate this will be very disappointing for Mr Y. But I hope he'll understand the reasons for my decision and that he'll at least feel his concerns have been listened to.

My final decision

For the reasons I've explained, I'm not upholding Mr Y's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 22 May 2025.

Chandni Green
Ombudsman