

The complaint

Mr B complains HSBC UK Bank Plc trading as First Direct are unfairly restricting his ability to make online payments on his current account. He wants the restriction lifted and compensation for the inconvenience he is experiencing.

What happened

Mr B holds a current account with HSBC. In April 2024 HSBC carried out a periodic review on the account. They asked him various questions via an exercise called Know Your Customer (KYC). Their questions pertained to his identify, whether he holds accounts abroad, and about the use of his account and the activity taking place on it. On multiple occasions Mr B said he had no comment to their questions, and at one point he said he made a payment because he was bored.

HSBC weren't satisfied by Mr B's responses and placed a block on Mr B's access to online payments until such time that he provided the information they wanted.

Mr B raised a complaint which HSBC didn't uphold, so he brought his complaint to our service.

Our investigator didn't uphold Mr B's complaint. In summary they said:

- HSBC is subject to a wide range of laws, rules and regulations, which include The Money Laundering, Terrorist Financing, and Transfers of Funds (Information on the Payer) Regulations 2017 (MLRs).
- Carrying out a review doesn't mean a bank needed to have suspected Mr B of wrongdoing. Instead, the purpose of a review is to ensure nothing was wrong.
- The restriction placed on Mr B's online access didn't amount to an unfair contract and was in line with their legal and regulatory obligations.
- Mr B's refusal to disclose the information HSBC wanted did amount to him not answering their questions satisfactorily.
- HSBC's restriction was proportionate and didn't prevent Mr B from carrying out payments using telephone banking.

Mr B disagreed with the outcome. He believes HSBC are acting disproportionately and arbitrarily by blocking his online access and continuing to do so given they hold no suspicion about him. The restriction also has no protective purpose given he can still telephone bank. HSBC's obligations under the MLRs are meant to be risk-based, based on the nature of the customer relationship, and customer due diligence measures should be proportionate. He also believes HSBC have treated him unfairly in breach of principle six of the Financial Conduct Authority's Principles for Business.

As no informal resolution was agreed Mr B asked for a final decision by an ombudsman, so his complaint had 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 aware I've summarised the events in this complaint in 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 Mr B and HSBC have said before reaching my decision.

I've decided not to uphold Mr B's complaint because I'm satisfied HSBC acted fairly and in line with their legal and regulatory obligations. I'll explain why.

Banks and other financial service providers have very important legal and regulatory obligations. Those obligations are broad and include responsibilities to monitor accounts, review and understand the activity on an account, safeguard customers and themselves, and detect and prevent crime and other harm.

HSBC decided to carry out a periodic review on Mr B's account. It contacted Mr B to gain an understanding on how the account was being used and what specific transactional activity represented. In my experience as an ombudsman, I find their enquiry was a reasonable means to comply with their responsibilities, and not unusual or outside of common banking practice.

Mr B says HSBC don't have any concerns about fraud or illegality on the account. But I must point out it's highly unlikely a bank would reveal an active suspicion to a customer, given the risk this carries in prejudicing potential future action or investigations. However, a due diligence exercise doesn't only have to be prompted when a suspicion is held. It can be carried out for other purposes to periodically verify information and understand transactional activity to make sure it's in line with their risk appetite.

HSBC terms and conditions make clear that a customer must provide information they reasonably ask for. Mr B feels he shouldn't need to provide the information HSBC want as its personal. But I don't find the questions HSBC asked unreasonable, unusual or disproportionate. Instead, the questions they asked are the kind of questions I would expect a bank to reasonably ask to understand how an account they are providing is being used or what it might be used for, including international exposure and what the current transactional activity on it represents. These are all relevant to ensuring a customer meets their risk appetite and to understand whether they have any other concerns.

I don't find HSBC ought to have been satisfied by Mr B answering no comment or that he made a payment because he was bored, which wasn't particularly persuasive. I'm satisfied they were prevented from getting assurance on how he uses his account and the activity on it, so I find they have a valid concern.

HSBC's terms make clear they can block or close an account if they are not provided the information they have reasonably asked for. And limiting or blocking accounts is a common method used when banks carry out a review or if they have formed a concern about an account or a customer. I don't find the terms unusual, unreasonable or unfair given how

important obtaining information from customers is to make sure they are complying with their legal and regulatory obligations.

I find HSBC's restriction on the account is allowed under their terms and proportionate, even if to encourage Mr B to provide the information they want. I don't require them to lift the restriction simply because further time has passed while the situation remains the same. I understand Mr B finds it arbitrary because he can telephone bank, but the decision to allow him to continue to bank by more limited means is one HSBC have made – it is not necessarily something I would have required them to do had they blocked his account entirely. I'm satisfied HSBC have treated Mr B fairly and am not directing them to take further action or pay him compensation.

My final decision

My final decision is I do not uphold Mr B's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 8 July 2025.

Liam King
Ombudsman