

The complaint

Mr S complains HSBC UK Bank Plc unfairly reversed payments due to his account and restricted his access.

What happened

Mr S held a HSBC Flexible Saver account. On 10 November 2023 his account was blocked due to incoming payments.

HSBC contacted Mr S about transactions on his account – in particular incoming payments on 8 and 9 November 2023. Mr S provided details about his proof of entitlement to the funds, explaining the payments were related to a car he had sold. HSBC reversed the payments that had been made into Mr S's account, but this resulted in the account being overdrawn as Mr S had also utilised some of the account balance.

Mr S raised a formal complaint about the block of his account and HSBC's decision to return the incoming payments. Mr S also complained about the service he received as requests weren't actioned. HSBC reviewed Mr S's concerns and in its final response letter dated 7 December 2023 it explained that the terms of the account allow it to suspend and review the account in certain circumstances without providing notice. HSBC explained it couldn't provide further details and that it would be in touch about the account once its investigation was complete. HSBC also recognised the service it had provided to Mr S had fallen below expected standards when Mr S had been in touch about his account. HSBC paid Mr S £150 in recognition of the distress and inconvenience this caused to Mr S.

Mr S remained unhappy and referred his complaint to our service. An Investigator reviewed his concerns, and they didn't uphold Mr S's complaint. In summary they explained:

- HSBC's regulatory obligations meant it was required to monitor and review customer accounts and it didn't need to give Mr S notice of this review.
- HSBC asked Mr S about account activity, and it wasn't satisfied with the information provided. HSBC's decision to return the payment seems reasonable in light of the available evidence.
- HSBC has taken the appropriate steps to ensure Mr S's account hasn't been adversely affected by its decision to return the payments to sender.

Mr S remained unhappy and maintained HSBC had acted unfairly. In particular Mr S explained the overdraft on the account hadn't been dealt with correctly, and HSBC assured him it would be cleared. The Investigator clarified this issue with HSBC, who confirmed that the overdraft on the account in question – Mr S's flex saver account had been removed in July 2024. Mr S still remained unhappy, so the case has been referred to me – 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.

As a UK financial business, HSBC is strictly regulated and must take certain actions in order to meet its legal and regulatory obligations. It's also required to carry out ongoing monitoring of an existing business relationship. This includes establishing the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. That sometimes means HSBC needs to restrict, or in some cases go as far as closing, customers' accounts.

HSBC has explained and given me information to show why it reviewed and blocked Mr S's account. Having carefully considered this, I'm satisfied HSBC took these actions in line with the obligations it must adhere to.

I know Mr S would like a detailed explanation as to why HSBC took these actions. But HSBC isn't under any obligation to provide this. I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from regulated businesses as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information HSBC has provided is information we consider should be kept confidential.

As part of the review process HSBC carried out a proof of entitlement exercise and wanted to establish further details about Mr S's account usage. Mr S says he co-operated with this and provided information to HSBC about the payments into his account and the source of funds. HSBC didn't consider this information to be sufficient to mitigate its concerns, and it continued to review and block Mr S's account. Having considered the information provided by Mr S I think HSBC's decision was fair. HSBC provided Mr S with an opportunity to alleviate its concerns, but this wasn't possible based on the evidence provided. Given the information provided to this service by HSBC in confidence, I think it has acted appropriately and in keeping with its regulatory duties.

Mr S says HSBC's decision to block his account caused him significant distress and inconvenience and he has provided information to demonstrate the extent of the impact the block has had. I can see HSBC has awarded Mr S £150 for its service failings, as Mr S's requests weren't actioned. I'm satisfied this amount reflects the impact this would've had on Mr S at the time.

Mr S says he experienced additional inconvenience – he had to attend branch to withdraw funds, such as his benefits and this is highly inconvenient. I do appreciate the block would've caused him some difficulty, as Mr S appears to have used his HSBC account regularly. But having looked at what's happened in this particular case, I'm satisfied HSBC has taken the appropriate steps to fulfil its regulatory duties. I must also highlight that it is common industry practice for customers to be able to access essential funds in branch when an account is under review. I think HSBC has acted in line with how we expect businesses to behave in these circumstances and I can see no basis on which I might make an award against HSBC.

A key part of Mr S's complaint is that the decision to reverse the payments in question to the sender resulted in Mr S going into his overdraft. HSBC accepted the reversal impacted Mr S and so it cleared the overdraft amount and has provided technical data to support this. Based on the evidence I've seen I can't see that this has had a lasting detrimental impact on Mr S and I think HSBC has taken adequate steps to address the issue. Mr S has provided correspondence to this service as part of his complaint which shows HSBC chasing an overdraft. However, this appears to be for a different HSBC account which it says was closed in December 2021. If Mr S has any concerns about this account, he would need to raise a separate complaint with HSBC in the first instance.

I know this will not be the outcome Mr S was hoping for, but I am satisfied HSBC acted reasonably in taking action to discharge its regulatory obligation. I hope it provides some clarity around why I won't be asking HSBC to take any further action or compensate Mr S.

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 Mr S to accept or reject my decision before 27 February 2025.

Chandni Green
Ombudsman