

The complaint

Mr A and Miss A complain that HSBC UK Bank Plc unfairly restricted and then closed their account. As the main complainant and for ease, I'll mostly refer to Mr A in my decision.

What happened

Around April, HSBC restricted Mr A's account and later decided to close it immediately. HSBC explained that it didn't think Mr A was entitled to funds in his account and said it would retain £48,000 until Mr A could provide satisfactory evidence of his entitlement to this amount. Although Mr A sent HSBC some information, HSBC wasn't satisfied that this proved his entitlement to the funds.

After Mr A complained, HSBC responded that it had acted in line with its legal and regulatory obligations. Remaining unhappy, Mr A asked this service to review his complaint.

Mr A wants HSBC to explain why it restricted and then closed his account. He says that the lack of access to his funds has caused him financial difficulties as he's now run into debt and faces the possibility of being evicted from his home. Mr A adds that the money HSBC is holding on to is needed for essential spending and forms part of his savings.

As an explanation for why Mr A received these funds, he told us and the bank that it was repayment for a loan he had provided to a friend. After completing their investigation, our investigator concluded that the bank had acted fairly.

Following the investigator's outcome, Mr A submitted further information to support his entitlement to the funds. The investigator wasn't persuaded that this additional evidence was enough to prove Mr A's entitlement to the funds. The investigator also asked HSBC to review the additional information Mr A provided – the bank maintained its position to retain the funds.

Remaining unhappy, Mr A asked for a final decision. So the complaint has been passed to me. HSBC has since informed us that Mr A sent the bank further information in November via his solicitor. Following its review of this information, HSBC decided to release Mr A's funds and re-open the account.

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.

My provisional findings

I recently issued my provisional findings, upholding this complaint:

I empathise with Mr A, given the difficulties he says he experienced because HSBC retained the funds. Having reviewed everything, I'm satisfied that HSBC's act in restricting Mr A's account was done so fairly. However, I don't find that it was reasonable for the bank to have closed Mr A's account or retain the funds for as long as it did – I'll explain my reasons below.

Banks that operate in the UK (including HSBC) are required to carry out specific actions to meet their legal and regulatory obligations. This includes the requirement for banks to complete ongoing monitoring of existing business relationships. And that sometimes results in banks deciding to restrict or - in some instances - close customer accounts.

HSBC has provided me with information to show why it reviewed Mr A's account. Having considered this, I'm satisfied the bank acted in line with its regulatory obligations.

HSBC is entitled to close an account. However, in doing so, it must ensure it complies with the terms and conditions of the account. The terms of the account say that HSBC can close Mr A's account by giving him at least two months' notice. In certain circumstances, the bank can also close an account immediately.

HSBC closed Mr A's account in June without notice. I'm not persuaded it was reasonable for the bank to have done so.

Mr A explains that the funds in question were sent to his account by a friend as repayment for a loan. He's provided bank statements for both his own and his friend's personal and business accounts, as well as a signed agreement he says he made with his friend. Mr A has also provided copies of messages and documents he says supports the original purpose of the loan. Mr A has further been able to provide copies of communications between his friend and their solicitor, as evidence of the purpose of the funds that were lent by Mr A at the time.

Therefore, I'm not persuaded that HSBC had strong evidence to justify the immediate closure of Mr A's account. I'm satisfied that Mr A's initial submissions to the bank didn't sufficiently evidence his explanation for why he received the funds. But Mr A has since provided third-party documents such as completion documents for a property purchase and bank statements – all of which would otherwise be difficult for him to obtain had there not been an ongoing relationship with the third-party in the way Mr A describes.

*HSBC itself has since decided to re-open Mr A's account based on the information he's provided, seemingly recognising that the immediate closure was unreasonable. So I'm satisfied it was unfair for the bank to have closed Mr A's account immediately, and I plan on **instructing HSBC to pay Mr A £150 compensation** because of the distress and inconvenience caused as a result of the immediate closure. In deciding this amount, I've kept in mind that Mr A had access to alternative banking facilities at the time, so it seems likely to me that this would've mitigated the detriment caused by the bank's decision to close his account immediately.*

Mr A is unhappy that HSBC retained the funds until it could properly evidence his entitlement to it. However, as the bank's regulatory obligations allow it to do so, I don't see cause to conclude that the bank acted unfairly in holding the funds in the meantime. Having reviewed Mr A's initial submissions to the bank, I'm satisfied that the information provided wasn't persuasive enough to prove his entitlement to the funds. However, given recent developments, I think that HSBC could've released Mr A's funds sooner and I'll explain why.

HSBC informed us that it received new information from Mr A in November, via his solicitor. Based on this, the bank decided to release the funds. I've seen a copy of what was provided, and it largely consists of documents Mr A had already provided to both HSBC and this service. The only additional information seems to be a letter from Mr A's solicitor setting out his entitlement to the funds in writing, as well as incorporation documents from Companies House for the third-party business – the director of which Mr A says he lent the funds to.

HSBC had previously reviewed the documents Mr A's solicitor sent to it in November – our investigator sent these documents to the bank in September, however HSBC responded rejecting Mr A's submission as not being satisfactory proof of his entitlement to the funds.

Given the overall similarities between the two submissions, I can't see why HSBC couldn't reach the conclusion to release Mr A's funds back in September. The only real difference in the submissions is the letter from the solicitor and that the documents were set out in a structured manner. In fact, the information we sent to HSBC in September was more extensive. So I'm satisfied that the bank had persuasive evidence of Mr A's entitlement to the funds when we sent the documents to HSBC in September.

Although HSBC has now arranged to release Mr A's funds, I plan on instructing the bank to pay simple interest on the funds for the period Mr A was unreasonably deprived of this amount.

Mr A points to financial difficulties he says he experienced because HSBC retained the funds. However, based on the information Mr A has provided, these financial issues seem to have begun prior to the restriction on his account. So, although I've concluded that HSBC could've released the funds sooner, I haven't seen persuasive evidence that Mr A's financial difficulties were caused or exacerbated by the bank's failure to do so. So I don't plan on increasing the compensation award because of this.

HSBC responded saying it had no further comments. Mr A and Miss didn't respond. Given there's been no further submissions from either party, my decision remains the same.

Putting things right

For the reasons explained, I'm upholding this complaint. To settle this complaint, HSBC UK Bank Plc should:

- Pay Mr A and Miss A £150 compensation for the distress and inconvenience caused by the immediate closure of their account.
- Pay Mr A and Miss A 8% simple interest on the funds it retained from 26 September 2024 (when it completed its review of the additional information we sent) to the date the funds were eventually returned to them - if HSBC considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr A and Miss A how much it's taken off. It should also give them a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons explained, I'm upholding this complaint. HSBC UK Bank Plc should settle this complaint in line with what I've set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A and Miss A to accept or reject my decision before 14 February 2025.

Abdul Ali
Ombudsman