

The complaint

Mr B complains HSBC UK Bank Plc (“HSBC”) blocked and closed his current, credit card, and loan accounts without notice nor explanation. Mr B is unhappy HSBC demanded full payment of his overdraft and loan balances and didn’t let him agree a repayment plan. Mr B adds that HSBC’s actions are discriminatory, based on a protected characteristic.

To put things right, Mr B wants HSBC to remove any adverse credit markers against him including the default, reinstate his loan account, and allow him to make a repayment plan for the remaining debt he owes. Mr B says HSBC’s actions have caused him significant financial difficulty including the loss of his job, severe distress, and inconvenience.

What happened

The details of this complaint are well known by both parties, so I won’t repeat them again here in detail. Instead, I’ll focus on setting out some of the key facts and on giving my reasons for my decision.

In October 2022, HSBC notified Mr B it no longer wished to provide any banking facilities to him. His credit card and current account were closed with immediate effect. Mr B’s current account however wasn’t closed immediately as he had an overdraft balance on it. HSBC demanded Mr B repay the overdraft. Mr B says he had to sell his car to do so.

HSBC also informed Mr B he had to repay his loan balance. But though HSBC demanded Mr B repay the loan immediately, he was able to make regular payments to it. Mr B asked HSBC if he could arrange a repayment plan for the debt but this was refused. Later, in 2024, HSBC demanded payment and sent formal demand letters and notice that it would default the account. Unhappy about this, Mr B complained.

HSBC upheld Mr B’s complaint in part. In summary, it made the following key points:

- There was a delay with a final demand notice being issued to Mr B for his loan, which allowed him an extra 20 months to repay the loan. As the loan hasn’t been repaid it will be passed to HSBC’s repayments services. HSBC is happy to grant Mr B until June 2024 to repay the outstanding balance of around £6,000 which will allow it to remove the default from his credit file.
- If Mr B can’t repay his loan balance, a default will be applied to his credit file. Owing to the time it’s taken to close the personal loan, HSBC is happy to backdate the default to October 2022.
- HSBC acknowledge there’s been service issues and so it would like to offer Mr B £300 compensation.

Mr B referred his complaint to this service. He added that HSBC had now applied the default marker against him, and that this had led to his other creditors reducing their credit card limits for him. He also sent in his credit file to show the adverse impact HSBC’s actions have had on him.

One of our Investigator’s looked into Mr B’s complaint, and they recommended it was upheld in part. In summary, their key findings were:

- HSBC acted fairly and in line with the terms and conditions when closing Mr B's accounts with immediate effect.
- The current account terms say overdrafts are repayable on demand. There was confusion with whether the account was under review or closed, which frustrated Mr B. But it was clear Mr B was obliged to repay the overdraft, which he did in May 2023. Given the overdraft is short-term borrowing and repayable on demand, it was reasonable for HSBC to demand it be paid.
- The terms of the personal loan also allowed HSBC to demand immediate payment after closing it. The circumstances for HSBC to do this were met. HSBC notified Mr B of its demand of payment for the loan in October 2022. But HSBC didn't demand the full repayment until March 2024, when they sent a default notice to Mr B. In a call on 24 April 2024, HSBC confirmed this related to the demand for payment and arrears as per the closure letter. So, Mr B would've been clear on the process that was in progress.
- HSBC sent Mr B a final demand notice on 9 May 2024 and gave him until the end of the month to settle. HSBC clarified in its final response letter in June 2024 that the loan repayment was a delayed demand following the October 2022 closure notice. Because of this delay and possible confusion, HSBC gave Mr B an extension till 30 June 2024 to repay the full outstanding balance. As Mr B didn't repay the loan, HSBC applied a default marker against him.
- Mr B feels it's unfair HSBC applied the default as he was maintaining his previous monthly repayments. But as the closure of the accounts was fair, HSBC was able to demand the repayment of the loan and he was given reasonable opportunities to do so.
- The delay in issuing the repayment demand for the loan delayed the default process. So, it's fair HSBC backdate the loan default marker to October 2022.

HSBC agreed with what our Investigator said. Mr B didn't agree. In summary, the key points he made in response were:

- Given the transaction highlighted by the Investigator to Mr B, he believes HSBC's decision was discriminatory and rooted against a particular religion. The Investigator's approach was biased, and they didn't thoroughly investigate Mr B's complaint.
- The trauma Mr B has suffered hasn't been acknowledged, particularly about how he was treated and the unfounded accusations of defaulting on the loan.
- The Investigator's comments that the offer of £300 compensation was a matter outside of this service's involvement, leaves Mr B unclear on what to expect.
- HSBC's actions directly led to Mr B losing his job, this point wasn't addressed.

Our Investigator explained they were satisfied HSBC's actions weren't based on a protected characteristic and its concerns were not only focused on the transactions they'd previously highlighted to Mr B. They also added they had considered everything Mr B had said about how HSBC's actions impacted him. But as HSBC didn't do anything wrong, they have not asked it to do anything further. So, Mr B will need to discuss any compensation offer directly with HSBC.

As there was no agreement, this complaint has been passed to me to decide.

What I've decided – and why

I'm very aware that I've summarised the events in this complaint in far 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 considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I have decided not to uphold this complaint. This may sound like I am changing the outcome to that which our Investigator did. But I am not given HSBC had already offered to backdate the default registration in its final response.

I note how strongly Mr B feels about his complaint, and I'd like to assure him I haven't undervalued anything he has said about the impact HSBC's actions have had on him. So, I'll explain why.

Review and closure of accounts

Banks in the UK, like HSBC, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means HSBC needs to restrict, or in some cases go as far as closing, customers' accounts.

HSBC has provided me with an explanation and supporting evidence as to why it reviewed Mr B's accounts. I'm satisfied it did so in line with its obligations.

HSBC is entitled to close an account just as a customer may close an account with it. But before HSBC closes an account, it must do so in a way, which complies with the terms and conditions of the account. The terms and conditions of the account, which HSBC and Mr B had to comply with, say that it could close the account by giving him at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

Mr B says he isn't complaining about the closure of all his accounts, but the way the repayment of any debts was handled. I will in turn look into the repayment issues Mr B has raised, but it's important, in the context of this complaint, that I consider the closures. That's because HSBC's decision to close the accounts, and the way this was done, has a direct connection to whether it acted fairly in the way it handled the repayment of any debts.

HSBC has also explained and provided me with supporting evidence as to why it closed Mr B's accounts with immediate effect. I note Mr B's current account and loan accounts in fact remained open for much longer. I'm satisfied this was because the debts needed to be repaid. But given HSBC's intentions to close the accounts immediately, and the removal of any related accounting services, I will treat them as immediate closures.

Having carefully considered the information HSBC has presented to me, I'm satisfied it acted

in line with the terms of the corresponding accounts when closing them with immediate effect. That means I don't think HSBC did anything wrong in deciding to close the accounts in the way it did.

It's understandable why Mr B would want a detailed explanation given his complaints correspondence with HSBC. But HSBC is under no obligation to do so. I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks 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 I consider should be kept confidential.

Repayment of debts, payment arrangements, and default markers

This brings me to the crux of Mr B's complaint. Firstly, I need to consider if HSBC acted fairly by demanding immediate payment of the overdraft and personal loan. And in not providing Mr B with any forbearance by making a payment arrangement if he couldn't do so.

Given its concerns, and what the individual terms say about making full repayment upon demand, I'm satisfied HSBC acted fairly and in line with those terms by doing so. I know this caused Mr B significant financial difficulty to the extent that he says the pressure of this led to him losing his job. Once again, I'd like to assure Mr B that I haven't undervalued the impact HSBC's decision had on his physical, financial, and mental wellbeing. But given HSBC's reasons for closing the accounts, and demanding repayment of the entire debt, I'm persuaded it hasn't acted improperly here.

Despite the financial difficulty it posed to him including having to sell an important asset like a car, Mr B was able to repay his overdraft debt without any real credit file detriment. However, HSBC accept that it didn't demand the full repayment when it should have in October 2022 for the loan – but only instigated the final demand process nearly two years later in 2024. To some extent, this was to Mr B's benefit as it allowed him to make repayments towards the debt for a longer period than HSBC needed to afford him – even if that was an oversight on its part.

When HSBC did instigate the final demand process, I'm satisfied it gave Mr B enough time before the default marker was applied against him. Had things have happened as they should have; HSBC would likely have applied the default marker in October 2022 and not in 2024. Because of that, I think it's fair the default marker is applied so that it's registered from October 2022. That means Mr B will not be disadvantaged further from it given it will likely stay on his credit file for six years from 2022 – and not from 2024.

HSBC already offered to do this in its final response letter dated 4 June 2024. And as I said earlier, this is the reason I am not partly upholding this complaint given it had said it would do this before the complaint was referred to this service.

Discrimination and bias

Mr B says he's been discriminated against based on the religion of the person he had made payments to. I'd like to assure Mr B that I've very carefully considered everything he's said about this. And I want to make clear I do not doubt how genuinely he feels about this matter and the upset HSBC's actions have caused him.

While I appreciate this is Mr B's perspective, it is not my role to decide whether discrimination has taken place as a matter of law – only the courts have the power to decide this. I have, however, considered the relevant law in relation to what Mr B has said when deciding what I think is the fair and reasonable outcome.

Part of this has meant considering the provisions of The Equality Act 2010. But after doing so, I've not seen evidence to indicate Mr B was treated unfairly.

In response to the investigators view, Mr B has said he's concerned the investigator is biased – with the implication being that the bank is influencing our conclusions inappropriately. Whilst I do recognise his concern, as an ombudsman service our approach is to consider what both parties say and then reach our own independent conclusions on that evidence. That is what we have done in this complaint. If Mr B doesn't agree with our view, he does not have to accept it, and if he does not accept this final decision, he will be free to continue to pursue his concerns by other means should he wish to do so. I cannot, however, advise him on how to go about doing that.

Fair redress

HSBC also offered to pay Mr B £300 for the poor service it provided to him. And, as I've said above, HSBC has said it would back date the default marker for the loan repayment to October 2022. I don't think HSBC need to do anymore.

I have very carefully reviewed everything Mr B has said about the impact HSBC's actions had on him. I can empathise with this, and don't dispute what he says happened including the loss of employment. But as I don't think HSBC did anything wrong in the way it reviewed, closed, demanded repayment, and then applied a default marker for the personal loan, I see no basis to make an award of compensation for any distress and inconvenience Mr B suffered.

Lastly, and for the sake of completeness, I note there was a period HSBC asked Mr B for information related to a Customer Due Diligence and/or "Know Your Customer" (KYC) after it had decided to close the accounts. It's not clear why HSBC did this, but I don't think it has any bearing, or makes a material difference, to what HSBC did or on the outcome of this complaint.

My final decision

For the reasons above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 28 February 2025.

Ketan Nagla

Ombudsman