

The complaint

Mr B complains HSBC UK Bank Plc unfairly blocked his account and placed his account into overdraft.

What happened

Mr B raised chargeback claims in early 2023. These claims were declined, and Mr B raised a formal complaint with HSBC about its handling of the claims. Unhappy with its response Mr B referred the complaint about chargebacks to this service. An ombudsman has decided this complaint issue fell outside of our jurisdiction as Mr B didn't refer the complaint to us in time. So whilst I may refer to the chargeback claims in this decision I will not be commenting on them and HSBC's handling of them in detail.

Mr B held a HSBC account which was opened in November 2021. In April 2023 following Mr B's chargeback claims the account was placed under review. As part of this review HSBC carried out an indemnity and reversed a transfer Mr B made to savings. This resulted in Mr B's account entering its overdraft.

Mr B raised formal complaints with HSBC regarding its review and handling of the account. Mr B said he provided information for HSBC regarding the chargeback claims and to assist in its review, and the block meant he has been left without banking facilities. Mr B asked for the funds to be returned to his account and to reinstate his account and online banking access.

HSBC reviewed Mr B's complaint about the block of his account and in its final response letter dated 14 June 2023 it explained that it retains the right to review all accounts at any time without prior notice and that it doesn't need to provide reasons for this. HSBC also explained that it couldn't provide a clear timeframe for the review.

As Mr B's account was now in its overdraft HSBC contacted him regarding repayment of the outstanding balance. Mr B was issued letters and contacted by HSBC's collections team, and Mr B raised a complaint about the impact of the overdraft. In particular Mr B referred to the negative impact the debt would have on his credit file and the poor service he received. HSBC acknowledged Mr B's comments in its response issued on 16 August 2023 but explained that it was unable to stop the impact the debt had on Mr B's credit file. It said it would remove any adverse information if its review deemed it appropriate to do so.

On 31 August 2023 HSBC informed Mr B that it had completed its review and it no longer wished to provide him with banking services. Mr B was told to make alternative banking arrangements and that his account would remain blocked.

Mr B complained about the closure of his account and the service he received from HSBC. In its response dated 1 November 2023 HSBC explained the points that led to the review and its decision to debit Mr B's account for the amounts claimed. It explained it had acted in line with the account terms and its internal procedures.

Mr B remained unhappy and referred his complaint to our service. After the jurisdiction aspects of Mr B's complaint were considered by an Investigator reviewed his concerns regarding the account block and debt on his account. In summary they explained:

- HSBC's regulatory obligations meant it was required to review Mr B's account following the reports it received from a third-party bank.
- The overdraft occurred as the temporary credits following the chargeback claims were removed. Mr B was made aware of this possibility and the overdraft amount due was fair as Mr B had transferred funds out.
- HSBC doesn't need to take any further action in relation to Mr B's complaint.

Mr B remains unhappy with the outcome of his complaint. The matter has now been referred to me to make a final decision in my role as Ombudsman.

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 B has had cause for complaint. I'd like to reassure Mr B that I've considered the whole file and what's he's said. But I'll concentrate my comments on what I think is relevant. If I don't mention any specific point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. No discourtesy is intended by me in taking this approach.

Mr B's complaint focuses on two key issues – the account block and closure by HSBC, and the overdraft amount that it has pursued. I will deal with each issue in turn.

Account review and closure

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.

In Mr B's case HSBC restricted his account following its review of the chargeback claims Mr B made. In its letter dated 7 November 2023 HSBC explained that the block was prompted by a report from a third-party bank regarding fraud. HSBC explained the block was applied in line with the account terms and conditions. I agree that Mr B's account terms allow it to apply an immediate block in this manner. In response to the Investigator's view Mr B says he was never told about the concerns HSBC had about the payments and his account. HSBC isn't under an obligation to forewarn Mr B about its intended actions or its concerns, and it made the decision to disclose some details to Mr B in its final response letter to help explain its actions. As noted above, HSBC's regulatory duties also require it to act swiftly and effectively when it receives notification of fraudulent activity. Based on the information I've seen I'm satisfied this is what HSBC did in Mr B's case and the account was fairly blocked.

As part of the review process HSBC attempted to gather further information from Mr B. Mr B says HSBC didn't engage with him and try and establish his version of events. I can see from HSBC's internal notes that Mr B's local branch tried to contact him to discuss the activity on his account, but these attempts were unsuccessful. Mr B says he co-operated

with this and provided information to HSBC about the payments that had been queried. This included documents such as sales agreements. Mr B says the provision of this information should've been sufficient. However, the evidence from Mr B was assessed alongside various other sources of evidence. HSBC is obliged to carry out a thorough review, which satisfies its internal processes and risk requirements before it can remove the account restrictions. In Mr B's case the information it reviewed didn't satisfy HSBC that they could be removed – and looking at the evidence I think HSBC reached this decision fairly. As a result, the decision was made to end its banking relationship with Mr B.

Mr B says HSBC's decision to restrict his personal account is caused him significant distress and inconvenience. I do appreciate this matter would've caused him some difficulty, but HSBC has explained Mr B can access his salary or benefit payments by attending branch. I understand the lack of timeframe for the review added to Mr B's frustration, but there is no set timeframe in place for reviews of this nature. The impact of an account restriction can be significant, so this service would expect HSBC to carry out the review in a timely manner. Looking at the timeline of events I think HSBC acted promptly with its review, and I can't see that it caused any avoidable delays.

Following its review of Mr B's account HSBC made the decision to close the account with immediate effect. The terms of Mr B's account allow HSBC to do this in specific circumstances, and I'm satisfied those terms have been met in Mr B's case. I know Mr B would like a detailed explanation as to why HSBC took these actions. But HSBC isn't under any obligation to provide this. I can also see that HSBC has provided some specific details in its final response letter from November 2023, and this gives Mr B with a fair amount of information about why it took the steps it did.

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. This means I am unable to share the specific details with Mr B, but I can assure him that I've reviewed the evidence HSBC has relied on and I find its decision to close Mr B's account immediately to be reasonable in the circumstances.

Outstanding overdraft

Mr B's chargeback claims were reviewed by HSBC, and during this time it provided Mr B with temporary credits for the amounts that had been claimed. Following HSBC's review of the chargeback claims and review of Mr B's account it made the decision to re-debit a total of £5,855.55 from Mr B's accounts. This included £1,500 that Mr B had transferred to a separate account with another provider.

HSBC has provided evidence to support its decision to remove these funds from Mr B's account. Although I can't comment on its handling of the chargeback claim, I am satisfied HSBC acted on clear evidence and took these steps to ensure it met its regulatory obligations.

HSBC's actions took Mr B into his overdraft. An overdraft facility is a discretionary credit facility, and it is generally repayable on demand. HSBC's financial support team contacted Mr B via phone to discuss repayment of the overdraft. It also wrote to Mr B on 28 July 2023 informing him his account was £3,167.43 overdrawn. Mr B's account remained blocked at this stage, and he was unable to review it online. Following this Mr B was sent letters on 11 August 2023, 22 August 2023 and 5 September 2023 chasing repayment of the overdraft amount.

I appreciate Mr B's concern over the debt that was being pursued by HSBC, especially given his account remained under review and it was only on 31 August 2023 that HSBC issued him with a notification of closure. Mr B says he received multiple calls from the financial support team regarding the debt, and this added to his distress. On 29 June 2023 HSBC agreed to provide Mr B with some breathing space and it froze interest on the overdraft amount owed. HSBC confirmed interest had been frozen in the letters Mr B received in August 2023. Mr B raised concerns about the debt and the customer service he received from HSBC in August 2023 and HSBC issued a response on 16 August 2023 accepting that the level of service Mr B received had fallen below reasonable standards. HSBC apologised and offered Mr B £50 in recognition of the impact its poor service had on Mr B. I consider this an appropriate response to the issues Mr B raised.

Mr B was issued a final demand on 28 September 2023. I've considered Mr B's comments regarding the impact the overdraft debt has had on him, and he has asked the overdraft be removed. However, considering all the evidence I'm satisfied the debt is legitimate and HSBC took reasonable steps to explain the situation to Mr B and outline his options. I understand the impact the outstanding debt may have on Mr B's credit file, but HSBC is under an obligation to accurately report the status of Mr B's account and any associated debt.

I know this will not be the outcome Mr B was hoping for and he will be disappointed with the decision I've reached. But I hope my decision provides some clarity around why I won't be asking HSBC to take any further action.

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 B to accept or reject my decision before 2 April 2025.

Chandni Green
Ombudsman