

The complaint

Mr H complains HSBC UK Bank Plc ("HSBC") closed his accounts and did so without notice nor explanation. Mr H is also unhappy HSBC did this shortly after notifying him his overdraft limit would be reduced and reviewed again in six months' time. Mr H says his HSBC accounts in different jurisdictions were also closed, and this meant he was left without any funds. As a result, he's been forced to fall into arrears. And HSBC has reported adverse information with credit reference agencies despite telling him no action would be taken whilst his complaint was being investigated.

To put things right, Mr H wants:

- His accounts reinstated.
- For any funds both in the UK and internationally with HSBC to be released.
- His credit file to be rectified.
- His mortgage redeemed as HSBC's actions are forcing him to sell his property.
- An explanation for HSBC's actions.
- HSBC to accept responsibility and send him a letter of apology.
- Compensation for the distress and inconvenience he's suffered.

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.

This decision only deals with Mr H's personal current account and his credit card account. A complaint about his joint accounts is being handled under a separate reference number at this service. This decision, as our Investigator explained, doesn't deal with Mr H's complaint about his mortgage or his loans as he needs to raise these issues with HSBC in the first instance. Nor can I consider any complaint here about the acts or omissions of distinct HSBC legal entities who operate internationally and aren't regulated in the UK.

Mr H received a letter from HSBC in January 2024 saying his overdraft limit would be reduced to a smaller limit and that any further changes would be made with 30 days' notice. So, he brought his account back under that limit and didn't go beyond it. HSBC then wrote to Mr H in February 2024, explaining his accounts have been closed with immediate effect. No explanation was provided.

Unhappy about its actions and the impact this had on him, Mr H complained. Mr H was told by HSBC on phone calls that any recovery action would be put on hold until his complaint was resolved. Mr H's accounts were still being reported by HSBC for being in arrears to credit reference agencies. The current account was later reported as being in default.

HSBC didn't uphold Mr H's complaint. In summary, the key points HSBC made were:

- Following its review, HSBC decided it would no longer be able to provide Mr H with its banking services or products. And the accounts would be closed in line with its

terms and conditions.

- HSBC's letter of 28 February 2024 explained what would happen if Mr H's accounts remained overdrawn. And on 28 March 2024, a final demand letter was issued for his current account requesting payment for the outstanding balance. The balances were passed to HSBC's Repayment Services for collection.

Mr H referred his complaint to this service. One of our Investigator's looked into it, and they recommended it was upheld in part. In short, their key findings were:

- HSBC hasn't provided supporting evidence to its explanation for closing the accounts to this service. So, Mr H should be compensated for this given he had to urgently move direct debits and open a new account elsewhere. HSBC should also reopen Mr H's current account. But they cannot ask HSBC to reinstate the overdraft or credit card, as these debts could be called in at any time.
- Mr H is relying on what HSBC said about reducing his overdraft prior to closing his accounts. But the letter which said this also said the terms of the overdraft would remain the same – pertinently, overdrafts are repayable on demand.
- After listening to the calls Mr H had with HSBC, there's no evidence he was told the overdraft or credit card wouldn't be reported to the credit reference agencies whilst his complaint was being investigated. But he was told there would be a hold and interest would be suspended on any unsecured products held. So, HSBC correctly reported these accounts as being in arrears.
- Mr H's sole current account was reported as defaulted in April 2024. HSBC did mention the account could be defaulted, but there's no evidence it sent Mr H a default notice which it's required to do. But as Mr H had no income or funds to repay the overdraft given his issues with his non-UK bank accounts, there's no strong evidence to show he would've been able to repay his debt. So, HSBC doesn't need to remove the default or any other adverse filings.
- In relation to the credit card account, although HSBC suspended any interest, Mr H didn't make any repayments since March 2024. Because of this HSBC is correctly reporting it as being in arrears to credit reference agencies.
- No errors were made by HSBC in its final response letter for this complaint. Mr H said that HSBC's overdraft limit reduction letter of January 2024 wasn't mentioned in the complaint response. But they can't recommend HSBC pay compensation or apologise for not referring to this letter, as it provided a suitable response.
- To put things right, HSBC should reopen Mr H's account and pay him £150 compensation for the inconvenience the closure of his account caused.

HSBC agreed with what our Investigator said. Mr H didn't agree, and in response he made the following points which he hadn't done so previously:

- Mr H wants this service to help with the issues he is facing with HSBC on a global basis to ensure he gets a fair outcome across all the products and services he had, or has, with it – including his mortgage.
- Given his previous impeccable and long-standing credit history, Mr H wants HSBC to fix his credit report in exchange he will liquidate his assets to help resolve the issues.

- Reinstatement of the same type of account and overdraft facility. And compensation of at least £3,000 which accurately reflects the impact HSBC's actions had on him.

In response, our Investigator made the following points:

- Because they recommended the current account be reopened, it doesn't automatically follow Mr H should have his overdraft reinstated. As per the account terms, an overdraft can be called in any time.
- Mr H hasn't repaid any of his outstanding overdraft balance. He says this is because of his funds in an international HSBC account being withheld. That's not something they can comment on. Mr H didn't try and mitigate the impact to him by trying to arrange a repayment plan with HSBC. So, as he hasn't shown he could service the overdraft, they can't fairly ask HSBC to reinstate it or remove any default marker.

As there was no agreement this complaint was passed to me to decide. I then sent both parties my provisional decision. For ease of reference, here is what I said:

Provisional decision

"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 H 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 am planning on upholding this complaint in part. I'll explain why.

Account review and closures

Banks in the UK 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 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 H had to comply with, say that it could close the accounts by giving him at least two months' notice. And in certain circumstances it can close an account immediately or with less notice. HSBC closed Mr H's sole accounts with immediate effect.

HSBC has provided an explanation as to why it acted in this way. But I'm persuaded, despite several attempts, it hasn't been able to provide enough evidence to support this position. Having carefully considered what information I do have, I'm persuaded, on balance, that HSBC should have provided Mr H with two months' notice of its intention to close his

accounts and done so without restricting them.

That means I don't think HSBC needs to reinstate Mr H's accounts. But it's failing here would have caused distress and inconvenience to Mr H given he had to urgently move regular payments and find a new account provider. So, I'm satisfied HSBC needs to compensate Mr H for this.

I know Mr H would like a detailed explanation for HSBC's actions and what information I have weighed to reach this outcome. 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.

Defaults and arrears – adverse credit

I can understand why Mr H feels strongly about this point given his good longstanding credit record prior to HSBC's actions. It should be noted that both the overdraft and credit card balance were after all repayable on demand in line with HSBC's terms and conditions. So, HSBC hasn't done anything wrong in asking for them to be repaid immediately.

It's also clear here that Mr H doesn't appear to have attempted to make a payment arrangement with HSBC for the debts he owed it. He may say he couldn't as all his funds to do so were withheld by a separate and international HSBC legal entity. But I can't consider the acts and or omissions of a non-UK regulated firm.

That means Mr H would never have been able to service his debts, so it was inevitable they would fall into arrears – and in the case of the current account, defaulted. I haven't seen that HSBC sent a default notice to Mr H as its required to do. But as I've said, Mr H couldn't pay off his overdraft due to his funds being withheld in an international account – so it would've made no difference.

HSBC has a responsibility to report the status of its customers' accounts accurately to credit reference agencies and I'm satisfied it's done so here. So, I won't be asking HSBC to make amendments to what its already reported in relation to Mr H's sole accounts. In reaching this determination, I've also listened to the calls Mr H had with HSBC, and I'm satisfied it didn't say it wouldn't report the status of the accounts to credit reference agencies – but simply that it would put a hold on phone calls and interest would be suspended on any unsecured products held.

For completeness, I note Mr H isn't happy that shortly before his accounts were closed, he was told in letter that his overdraft limit was being reduced and the account would be reviewed in six months' time. It's understandable why Mr H feels strongly about this, but HSBC was reviewing his account in the background and later stepped up its actions by deciding to close the accounts. And I've already said it was fair for HSBC to do this albeit with two months' notice.

Fair redress

Had HSBC given Mr H two months' notice of closure, he wouldn't have suffered the distress and inconvenience of having to find other banking provision and moving payments over. He would also have been saved from the distress of having no bank account and could've arranged new banking provision over two months.

Having carefully considered this impact, I'm satisfied HSBC should pay Mr H £300 for the

distress and inconvenience it caused by not giving two months' notice. Mr H says he wants a letter of apology. If I make the same finding in my final decision, Mr H will have sufficient information of what HSBC did wrong. So, HSBC doesn't need to send a public letter of apology – particularly as our final decisions are published”.

The deadline for both parties has now passed. HSBC accepted what I said I was planning on deciding. Mr H didn't agree with everything I said. The key points he's made in his response are:

- The HSBC account was Mr H's only UK based one, and so when it closed immediately without two months' unrestricted notice, this created a situation where he didn't have an account into which the rent for his flat could have been paid.
- Had Mr H been given two months' notice he would've received the rent from March 2024 and in April 2024. This would have been sufficient to repay the amount he owed on his overdraft. So, he would have been able to repay his debt, including for his credit card.
- Mr H would also have received his quarterly consulting fees.
- The closure of the account with immediate effect and not two months' notice has caused his accounts falling into arrears, the subsequent negative reporting, and the inability to find an alternative in reasonable time.

As both have responded and the deadline for doing so has passed, I will now decide this complaint.

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.

Having done so, and mainly for the reasons in my provisional decision – as above – I have decided to uphold this complaint in part. But I do not think HSBC needs to do any more than that which I explained in my provisional decision to put things right. I'll explain why.

Firstly, I would expect Mr H to have taken reasonable steps to mitigate any losses. And in these circumstances to have opened another bank account with another provider which amongst other things would've given him an outlet to have his income paid into. This would include any rent or consultancy fees.

Mr H has said in his submissions he was able to open another simple current account with another provider. So, I question again why he didn't use his income then to repay his debts if his UK income was sufficient to cover them.

I also explained in my provisional decision that Mr H didn't take any steps to agree a payment arrangement with HSBC after which it took collection steps and registered adverse information against him. Mr H could've used his new account and the funds redirected to it to pay off any of the outstanding debts he had with HSBC. But this didn't happen – at any stage. So, I think he most likely he either chose not to or needed the funds for other expenses.

I also note Mr H said in his earlier submissions to this service that HSBC had taken all his money across different banks, including with overseas entities it acted in concert with, so it cannot expect him to service his debts with it. This therefore appears to suggest that he

wasn't in a position due to the actions with overseas' banks to service his debts.

So taken together, and after careful reconsideration of all the evidence and arguments. I don't think Mr H's response to my provisional decision changes what I was planning on and, am now, deciding.

Putting things right

To put things right, HSBC must:

- Pay Mr H £300 compensation for the distress and inconvenience it caused him.

My final decision

For the reasons above, I have decided to uphold this complaint in part. HSBC UK Bank Plc must now put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 21 April 2025.

Ketan Nagla
Ombudsman