

The complaint

Ms H and Mr H complain HSBC UK Bank Plc (“HSBC”) closed their current accounts and did so without notice nor explanation. They’re also unhappy HSBC did this shortly after notifying them their overdraft limit would be reduced and reviewed again later. And that HSBC has reported adverse information with credit reference agencies despite telling them no action would be taken whilst their complaint was being investigated. Ms H also complains that she never received any notice of closure.

To put things right, Ms H and Mr H want:

- Their accounts reinstated.
- Their credit files to be rectified.
- An explanation for HSBC’s actions.
- HSBC to accept responsibility and send them a letter of apology.
- Compensation for the distress and inconvenience they’ve 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.

Ms H and Mr H received a letter from HSBC in February 2024 asking them to reduce their overdraft usage within a new lower limit. HSBC said this would be reviewed again in six months. Mr H then received a letter from HSBC shortly after, explaining that his accounts were being closed with immediate effect, including the joint ones. And no explanation was provided.

Mr H complained about his accounts being closed. And he was told during several phone calls with HSBC any recovery action would be put on hold until the complaint was resolved. An account was being reported by HSBC as being in arrears, and later it was recorded as having defaulted in April 2024.

HSBC didn’t uphold Ms H and Mr H’s complaints. HSBC apologised to Ms H for not sending her a copy of the closure notice in February 2024, and for the delays in its complaint handling. Unhappy with HSBC’s response, Ms H and Mr H referred their complaint to this service. One of our Investigator’s then looked into their complaint, and they recommended it was upheld. In summary, their key findings were:

- HSBC has provided an explanation but no supporting evidence for why it closed Ms H and Mr H’s accounts. So, they can’t say the closures were fair. Ms H wasn’t notified about the closure of the accounts, and this is poor customer service.
- HSBC should reopen Ms H and Mr H’s accounts and pay £200 compensation for the distress and inconvenience this caused them. And £25 to Ms H for not sending her a letter of closure.

- HSBC doesn't have to reinstate the overdraft as it can be called in at any time. Ms H and Mr H are relying on what HSBC said about reducing their overdraft prior to closing their 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 wouldn't be reported to the credit reference agencies whilst the complaint was being investigated. But he was told there would be a hold on phone calls and interest would be suspended. So, HSBC correctly reported the account as being in arrears.
- A final demand letter was sent to Ms H and Mr H, but as no payment was received by the deadline, the account was defaulted. Ms H had told HSBC she was in financial difficulty but made payment for the debt in full on the same day. As it was paid off in full in reasonable time, HSBC should remove any adverse markers with credit reference agencies. And it should pay £200 compensation the distress and inconvenience this caused.

Both HSBC and Ms H and Mrs H didn't agree with what our Investigator said. They emphasised that the overdraft had not been paid off and that was an error. Ms H and Mr H also explained the trouble they had with reinstating their child benefit payments. But were told to speak to the Department for Work and Pensions (DWP) about this.

Our Investigator then looked into things again, and made the following key points and changes to their recommendation:

- They still think HSBC closed the account unfairly. And it has offered £50 compensation for not sending Ms H a notice of closure letter. This is fair.
- Ms H and Mr H could've redirected their child benefit payments by speaking to DWP, so HSBC doesn't need to compensate them for any impact this had.
- They had made an error in saying the overdraft was repaid. As Ms H nor Mr H were able to repay the overdraft due to their circumstances, and as no repayment arrangements were discussed with HSBC, their accounts would've gone into arrears and got defaulted. So, the adverse information now doesn't need to be removed nor any compensation paid.

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 Ms H, 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, Ms H and Mr H had to comply with, say that it could close the accounts by giving them at least two months' notice. And in certain circumstances it can close an account immediately or with less notice. HSBC closed Ms H and Mr H's 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 Ms H and Mr H with two months' notice of its intention to close their accounts and done so without restricting them.

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

I know Ms H and 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.

HSBC have offered to pay Ms H £50 compensation for its failings in not sending her a notice of closure letter. I don't think it needs to do anymore and I will take this into consideration when making any final award for compensation.

Defaults and arrears – adverse credit

I can understand why Ms H and Mr H feel strongly about this point. It should be noted the overdraft was repayable on demand in line with HSBC's terms and conditions. So, HSBC hasn't done anything wrong in asking for it to be repaid immediately.

It's also clear that Ms H and Mr H don't appear to have attempted to make a payment arrangement with HSBC for the debt they owed it. I'm aware Ms H was suffering from financial difficulty and was divorcing from Mr H. I'm also aware of Mr H's personal circumstances. But both of their circumstances meant they wouldn't have been able to repay the overdraft or make a payment arrangement to do so.

That means Ms H and Mr H would never have been able to service their debt, so it was inevitable they would fall into arrears – and in the case of one of the current accounts, defaulted. I haven't seen that HSBC sent a default notice to Ms H and Mr H as its required to

do. But as I've said, Ms H and Mr H couldn't pay off their overdraft, 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 it's already reported in relation to Ms H and Mr H's 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 there would be a hold on phone calls and interest would be suspended on any unsecured products held.

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

Fair redress

Had HSBC given Ms H and Mr H two months' notice of closure, they wouldn't have suffered the distress and inconvenience of having to find other banking provision and moving payments over. They would also have been able to arrange new banking provision in an orderly manner over two months.

Having carefully considered this impact, I'm satisfied HSBC should pay Ms H and Mr H £300 for the distress and inconvenience it caused by not giving two months' notice. It should also pay Ms H £50 compensation for not properly notifying her of the account closures in the way it's already offered to do so.

Ms H and Mr H say they want a letter of apology. If I make the same findings in my final decision, they 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 further arguments and evidence to be provided has now passed. HSBC agree with what I said I was planning on deciding. Ms H and Mr H do not. In summary, the key points they have made in response are:

- If the account hadn't been closed immediately but with two months' notice, Ms and Mr H wouldn't have been in a situation where Mr H didn't have an account into which his rental income and quarterly consulting fees 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 his credit card.
- The closure of the account with immediate effect and not two months' notice has caused their accounts to fall into arrears, the subsequent negative reporting, and the inability to find an alternative in reasonable time.

As both parties 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 to put things right than that which I explained in my provisional decision. I'll explain why.

Firstly, I would expect Ms H and 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 them an outlet to have any income paid into. This would include any rent or consultancy fees Mr H says he was due.

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 either Ms H or 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 Ms H and Mr H either chose not to or needed the funds for other expenses.

I also note Mr H has made submissions on a separate complaint in which he says access to his funds were significantly limited. This therefore appears to suggest he wasn't able to repay the debts.

So taken together, and after careful reconsideration of all the evidence and arguments, I don't think Ms H and 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.
- Pay Ms H £50 for its poor communication and the inconvenience and distress this caused her.

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 Ms H and Mr H to accept or reject my decision before 21 April 2025.

Ketan Nagla
Ombudsman