DRN-5441283

The complaint

Mr K is unhappy HSBC Bank Plc (trading as "First Direct") closed his accounts without notice and without providing a reason.

What happened

First Direct wrote to Mr K on 22 October 2024 explaining that it would no longer offer him banking services, effective immediately.

First Direct let Mr K know that his overdraft would be cancelled on his current account, and he would need to repay the balance in order for this account to be fully closed. It also stated that his credit card had been cancelled and that he would need to maintain his repayments as usual. I note Mr K also had a loan with First Direct but this was to run as normal until he had repaid it in full.

Mr K complained to First Direct. He was unhappy with the closures and lack of explanation provided. Mr K received a letter a few days before the closures detailing that payments to his home country would no longer be allowed – he's explained he had previously made payments to his mother there. He also explained that First Direct had asked him about these transactions and he'd provided evidence to support what they were for. The fact he was debanked several months later has led him to believe this is a result of his nationality, which contravenes the Equality Act 2010. He explained the closures had left him unable to pay bills, travel and buy food, with him having to borrow money from family and friends to get by until he opened a new account. He did this and received a new debit card within a week of the closure. He also suffered the inconvenience of not being able to use the account switching service or take up any switching incentives.

First Direct responded to the complaint saying they had closed Mr K's accounts in line with the terms and conditions and they couldn't share any further information with him.

Mr K brought his complaint to our service. Our investigator didn't uphold Mr K's complaint. He was satisfied First Direct had acted in line with its legal and regulatory obligations and the terms and conditions of the accounts when closing them and they didn't have to give a reason for their decision. He explained that he couldn't make a finding on whether First Direct had breached the Equality Act, as only a court can do this. But based on what he'd seen, he was satisfied First Direct had acted fairly and that the closing of the account was down to account activity, rather than his nationality.

Mr K disagreed with our investigator's outcome. He feels that although the terms and conditions allow for immediate closure of his current account, this goes against the Financial Conduct Authority's principles of treating customers fairly, as well as this services fair and reasonable remit. He's explained his transactions had already been scrutinised and he hadn't made one to his mother in Russia in eight months by the time First Direct closed his account. He therefore can't understand what the urgent risk was that warranted the immediate closure of his accounts. It meant he couldn't use the current account switching process and that he had to borrow money to pay for essentials.

Because Mr K disagreed, the complaint has been passed to me to decide.

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.

First Direct has a wide range of legal and regulatory obligations it must meet when providing account services to its customers. To comply with these obligations, it may need to review accounts. Sometimes these reviews will lead to the accounts being suspended or closed. If First Direct didn't do this, it could risk serious sanction.

But if a financial institution chooses to suspend or close an account, it should do so in line with the terms and conditions of the account and its reasons should be legitimate, fair and non-discriminatory.

First Direct isn't under any obligation to reveal to a customer why it suspended or closed an account. This information is often commercially sensitive. So, whilst I appreciate Mr K's frustration at not knowing why First Direct took the action it did, I don't think it did anything wrong in not communicating its reasons to Mr K. First Direct has however shared its reasons for the suspension and closure with this service. It wouldn't be appropriate for me to share this, for the same reasons mentioned. But I hope that it helps Mr K to know that someone impartial and independent has looked into his concerns. And having done so, I'm satisfied it was entitled to close Mr K's current account and suspend his credit card.

I'm satisfied the overriding suspension and closure was a fair and legitimate commercial decision. But I've also reviewed Mr K's detailed submissions around the unfairness that this was done without notice. Having done so, based on the reasons given by First Direct, I'm satisfied they were able to fairly close and suspend the accounts immediately, in line with the terms and conditions. However, I'm not entirely happy to see that it took them seven months to do so, following their enquiries with Mr K in March 2024. I can see why this feels unfair to Mr K. But to be fair to both parties, this delay did allow Mr K the use of his account for an extra seven months. If First Direct had carried out the closure immediately in line with the terms and conditions in March 2024 - something I'm satisfied they would have been entitled to do - Mr K would have been in the same position as he was in October 2024, just seven months earlier. So, I wouldn't look to ask First Direct to compensate him for the inconvenience the immediate closure caused.

Mr K says he feels First Direct have discriminated against him by debanking him and I can see why - in the absence of first direct sharing its reasons for the closures - he may feel that way. While we take any allegation of discrimination seriously, we are an informal dispute resolution service, meaning we don't have the power to decide whether or not first direct is in breach of the Equality Act 2010, as only a court has the power to do this. What we can do is take relevant law and regulation into account when deciding what's fair and reasonable in the circumstances of a complaint. And overall, I've seen nothing to suggest First Direct's decision was down to Mr K's nationality. Instead, as explained above, I'm satisfied the decision was a legitimate commercial decision that First Direct was entitled to make.

I know this will come as a disappointment to Mr K, but I'm satisfied First Direct was entitled to close his current account and suspend his credit card, so I won't be asking it to take any action.

My final decision

My final decision is that I don’t uphold Mr K’s complaint against HSBC Bank Plc (trading as First Direct).

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr K to accept or reject my decision before 19 August 2025.

Sarah Brimacombe
Ombudsman