

The complaint

T a sole trader complains HSBC UK Bank Plc unfairly closed its bank account.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Mrs B complaint is about T's business account, but I will refer to Mrs B directly throughout the complaint rather than T. Mrs B has had a separate complaint with our service regarding joint account issues with HSBC. This decision will not be covering those points, and will focus on the business account.

Mrs B held a business account which opened in 2002. In August 2023 HSBC issued a notice to close letter to the registered address as the account had been in its overdraft for too long. The account closed in October 2023.

Mrs B raised concerns about the handling of her business account in October 2024. Mrs B said that she was facing challenging circumstances at the time the account was overdrawn and she didn't receive the letters HSBC sent regarding the account. Mrs B said she attended branch to set up a regular direct debit to the account, and HSBC failed to implement this. Mrs B asked for compensation and for the account to be reopened.

HSBC issued its final response letter on 24 October 2023. In its response it explained that a £10 credit entered the business account on 1 February 2023, but there were no other regular payments in. However, it was unable to provide further details about the branch visit Mrs B had referred to, and apologised if she had asked for a regular payment to be set up and it wasn't. HSBC offered Mrs B £50 for this possible error. HSBC also highlighted the account went overdrawn in May 2023 and remained in this position from July 2023 onwards. HSBC said it issued letters to Mr B regarding the account on 26 May 2023, 27 June 2023, 26 July 2023, 14 August 2023, 15 August 2023 and 11 September 2023. HSBC said it closed the account in line with the account terms.

Mrs B remained unhappy and referred her complaint to our service. An Investigator reviewed her concerns and in summary, made the following findings:

- Although they recognised Mrs B's challenging circumstances HSBC can't be held liable for Mrs B not receiving the notice of closure and reminder letters issued to her.
- Mrs B had been offered contact via the app and email, but this wasn't utilised.
- HSBC can't leave accounts open when there isn't activity, so it acted fairly in closing the account in line with the account terms.
- Mrs B wanted the business account to remain open as it was her main source of income, but the account had minimal credits.
- HSBC accepts an error could've been made in branch, and its payment of £50 to acknowledge any potential service failings is reasonable.

Mrs B disagreed with the view reached and explained the only communication method offered to her was phone, which was difficult to manage due to her personal circumstances. Mrs B said although the app was installed for her, she was unaware of how to use it and she was expecting calls regarding her account.

As no agreement could be reached the complaint was passed to an ombudsman for a final decision.

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 Mrs B has had cause for complaint. I can see this has been a particularly challenging time for her and I am grateful for her openness with our service in relation to her personal circumstances. Having looked at the complaint fully, my review of the evidence has led me to the same overall conclusions as the Investigator previously set out and for much the same reasons. I will explain why.

Branch visit

A key issue Mrs B has outlined is that she attended branch in February 2023 regarding her business account. This was following the notification sent to Mrs B in January 2023 regarding the business account being overdrawn, and it needing to be brought back into credit within 14 days. Mrs B says during this visit she spoke to staff about her difficult personal circumstances and to set up a regular payment into her account so it would remain open. Mrs B says she was told by a member of staff to ignore any pre-generated letters about the account.

I've thought carefully about Mrs B's comments in light of the available evidence. Up until February 2023 there had been minimal activity on the business account, and the statements show the account was essentially dormant. There was a monthly account fee which contributed towards the overdrawn amounts, and Mrs B says she requested the monthly direct debit of £5.50 be increased to £10 to cover the account fee cost.

HSBC says it has limited information about this branch visit. In situations where there is conflicting or limited evidence, I must consider what I think is most likely to have occurred based on the available evidence. I don't doubt Mrs B attended branch and explained her situation to the member of staff. However, it's not been possible for me to determine what payment instructions were given or what Mrs B was told about direct debits on the account. HSBC has accepted that there may have been a failing here, and Mrs B may have asked for a regular direct debit to be set up and this wasn't actioned. I think this approach by HSBC is fair given the vulnerable position Mrs B was in at the time.

To recognise any potential failing HSBC has offered Mrs B £50 in recognition of any distress and inconvenience caused to her. I can see Mrs B doesn't feel this amount reflects the emotional and financial impact its error had on her. I must highlight HSBC has offered this amount on the basis that it *may have* made an administrative error. Reaching an award for distress and inconvenience is seldom straightforward. The issues involved are subjective by their very nature and the impact on the consumer can be difficult to determine. Our awards are not intended to be punitive for businesses, and their fundamental aim is to recognise the impact on a consumer where there have been shortcomings. Having considered the issues Mrs B has outlined, I consider the £50 offer from HSBC to be appropriate.

I say this as even if there had been an error by HSBC and the direct debit wasn't correctly set up as requested, this is an issue that should've come to light prior to the account closure. I understand Mrs B says she didn't realise the account remained overdrawn, but I can't say this is something HSBC is responsible for, and I will address the communication issues Mrs B has highlighted below. However, in terms of compensation, I'm satisfied HSBC's acknowledgement of the challenging situation Mrs B was in and its acceptance that things may not have been actioned as requested to be a fair approach and the compensation offered adequate.

Account closure

It's generally for banks to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. At times, following a review, banks sometimes choose to end their relationship with customers. This can be due to a number of reasons and a bank isn't obliged to give a reason to the customer. Just the same as if Mrs B decided she wanted to end her relationship with HSBC, she wouldn't have to explain why.

Mrs B says HSBC shouldn't have closed the account at what was a stressful and difficult time for her. HSBC has confirmed its decision to review and then close the business account was based on the overdraft usage and lack of account activity. The overdraft is a credit facility which HSBC is obligated to provide to customers in a responsible manner. This means it must ensure the credit is effectively managed and doesn't cause a customer detriment in the form of charges and interest. HSBC has explained that it wrote to Mrs B multiple times about the need to bring the account back into credit to ensure it was effectively managed and didn't fall into a difficult position.

I've seen the letters HSBC sent and I think HSBC acted reasonably here in its communications with Mrs B in setting out the next steps and what action she needed to take. It seems to me the overall aim of its communications was to assist Mrs B and ensure the account didn't incur charges. Looking at the statements, there was minimal activity from February 2023 until closure in October 2023, and all the activity placed the account in an overdrawn position which wasn't sustainable long term.

I must also highlight that the terms and conditions of Mrs B's account allow HSBC to close the account provided the necessary notice is provided. In this case HSBC issued Mrs B a notice to close letter and this provided her with two months to make alternative arrangements. Given the number of times HSBC had reached out to Mrs B, I consider this to be a reasonable decision for HSBC to make, and one that is in line with the account terms.

Communication from HSBC

Mrs B says that she didn't receive the letters from HSBC as her partner was controlling her finances and hiding letters from her.

HSBC and Mrs B say the app was installed on Mrs B's phone to help her manage the account. Mrs B says she didn't know how to utilise the app and she expected all communication from HSBC to be on the phone following her branch visit. I've thought about what HSBC's records say at the time – and they show Mrs B's communication preference being written letters and there is no formal record of her vulnerable position.

I sympathise with Mrs B's challenging personal circumstances, and it's clear that she was facing difficulties which affected her ability to manage the account effectively. But despite Mrs B's comments about what she told a member of staff I can't see that HSBC was aware of these issues until Mrs B raised a formal complaint. I can see from this point onwards HSBC acted in an understanding and helpful manner with Mrs B. However, before this point

it wasn't aware Mrs B didn't receive the letters it issued and wasn't using the app to manage the account. So, I don't think it would be fair or reasonable to hold HSBC liable for this issue.

I've also thought about the overall impact the account closure has had on Mrs B. Although Mrs B says she needed the account to receive income, I can't see there were significant credits to the account in the months prior to closure. The account had limited activity, and although Mrs B would've liked the account to remain open, I can't see that its closure has affected Mrs B's day to day finances in a significant manner. Further, Mrs B was a sole trader, and she would've been able to open another account for her business if she had required one following this closure. I understand the closure was unexpected for Mrs B and this would've added to what was already a stressful time for her. But I don't consider HSBC's actions to be unfair or to warrant further compensation.

I know this will not be the outcome Mrs B was hoping for, and she 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 T to accept or reject my decision before 31 October 2025.

Chandni Green
Ombudsman