

The complaint

A company I'll call M complains that HSBC UK Bank PLC blocked, then closed its account, before terminating its Bounce Back Loan (BBL) and offsetting the balance of the account against the BBL debt.

M is represented by its director, Mr S.

What happened

In October 2024, HSBC blocked M's account while it carried out a review. On completion of the review, HSBC wrote to M giving two months' notice of its intention to close M's account, then issued a second letter explaining that it had terminated M's BBL and had used the balance of M's account to pay down the outstanding balance.

Mr S complained, but HSBC didn't uphold the complaint. It said it had taken actions it was entitled to take and wouldn't explain itself any further. Mr S didn't accept HSBC's outcome, so he brought M's complaint to our service.

Our Investigator looked at M's complaint, but she didn't uphold it. She said HSBC was entitled to block and close M's account, and she found that HSBC was entitled to terminate the BBL because Mr S had falsely declared an inflated turnover on the BBL application. She had asked Mr S to provide a copy of M's tax return for the year in question, and when he did so, it didn't demonstrate a turnover that would qualify M for a BBL of £50,000 (which is what it had received).

Mr S didn't accept our Investigator's findings. He didn't seek to argue he had correctly declared M's turnover on the BBL application, and instead said that HSBC had access to all of M's financial information and so it shouldn't have loaned the money if it thought something was wrong. He asked for an Ombudsman to review the matter afresh.

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 should say that I'm aware I've summarised the events of this complaint in far less detail than the parties, and that I've done so using my own words. The reason for this is that I've focussed on what I think are the key issues here, which our rules allow me to do.

This approach simply reflects the informal nature of our service as a free alternative to the courts. And 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 in this case. So, if there's something I've not mentioned, it isn't because I've ignored it, and I must stress that I've considered everything both Mr S and HSBC have said, before reaching my decision.

Account block

All banks in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. That sometimes means they need to restrict customers' accounts while they carry out a review. The circumstances in which a bank must take such actions are fluid and may change at any given time depending on various factors.

So, in order to make an award in favour of M, I would need to be satisfied that HSBC acted unfairly or took actions it wasn't entitled to take given all of the circumstances that were present at the time it decided to block and review M's account. And, having looked at the evidence both parties have provided, I'm satisfied HSBC acted in line with its legal and regulatory obligations when it blocked M's account. And that it was entitled to do so under the terms and conditions that governed the relationship between HSBC and M.

I appreciate Mr S is frustrated that HSBC didn't explain its reasons in full, and that he feels strongly about his complaint. But, under the terms and conditions of the account, HSBC doesn't have to give a reason for doing so.

So, I can't say it did anything wrong by not giving Mr S this information when he complained. And, having investigated HSBC's rationale myself, I'm satisfied it was entitled to block the account and complete the investigation in the manner it did. And I've seen no evidence to suggest it treated M unfairly.

While I don't doubt HSBC's actions caused M problems, I won't ask it to compensate M because I don't consider it did anything it wasn't entitled to do, or treated M unfairly, considering all of the circumstances of this complaint.

Account closure

A bank is entitled to close an account with a customer, so long as it does so in a way that complies with the terms and conditions of the customer's account. The terms and conditions of M's account – with which both HSBC and M had to comply – say that HSBC could close the account by giving two months' notice, which it did in its letter of 8 November 2024.

While I can't disclose the reasons for HSBC's decision to Mr S, I can say that I've considered the evidence I've been provided, and I've weighed that evidence against HSBC's terms of business. And having done so, I'm satisfied HSBC acted in accordance with its terms and conditions when it closed M's account.

HSBC isn't obliged to disclose the reasons for its decision to block or close M's account to Mr S, and I've seen no basis on which I might reasonably compel it to do so against its wishes. It has disclosed its reasons to our service and, while I understand that won't reduce Mr S's frustrations and that Mr S might not accept my decision, I hope he can take some comfort from the fact that I have independently reviewed HSBC's actions. And that I would have upheld his complaint if I wasn't satisfied HSBC had acted fairly and reasonably.

The BBL

In response to our Investigator's findings, Mr S sought to suggest that HSBC should have carried out checks to establish whether or not M was entitled to the BBL it had applied for. However, I'm afraid that doesn't change things.

BBLs were introduced with the intention of getting money to businesses that needed the money with the minimum of delay, and so applicants were allowed to self-certify their turnover, and in turn, banks weren't expected to check the veracity of the application at the time it was made.

M's BBL application also contained a declaration that the information provided was true, complete and accurate. So, it follows that there was a clear expectation that the application would be completed honestly and accurately. Mr S declared a turnover of £250,000 on the BBL application, but the tax return he provided our service showed a turnover of less than £25,000. So M was never entitled to a BBL of £50,000.

Even if I were to accept Mr S's argument, I still wouldn't uphold M's complaint. As I've said, the information HSBC provided our service as part of its explanation of why it blocked and closed M's account, entitled it to block and close M's account. That information is also relevant to HSBC's decision to recall M's BBL and, while I can't reasonably disclose the details of HSBC's investigation to Mr S, I have reviewed it before reaching my conclusion here. And having done so, I'm satisfied that the information it provided our service demonstrates grounds to recall the BBL.

Mr S also complained that HSBC used the funds in M's account to pay down the BBL. But the terms and conditions of the BBL agreement allow it to do so. And, having reviewed all of the information HSBC (and Mr S) has provided our service, I'm satisfied it was reasonable for HSBC to exercise its right of setoff to reduce the balance owed.

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 M to accept or reject my decision before 28 May 2025.

Alex Brooke-Smith
Ombudsman