

## **The complaint**

A company that I will refer to as S, complains that HSBC Bank UK Plc unfairly closed its bank account without providing a proper explanation. S also complains about how long it took HSBC to release its closing balance and the service HSBC provided.

Mr P, a director, brings the complaint on behalf of S.

## **What happened**

S had a business current account with HSBC, which Mr P opened in 2014.

HSBC reviewed S's account. Following this on 28 May 2024 HSBC decided to close S's current account with two months' notice and sent Mr P a letter to let him know he'd need to make alternative banking arrangements for S.

Mr P was shocked to receive the letter and contacted HSBC to find out why it had decided to close S's account. Despite multiple inquiries to HSBC, both via phone and in-person, Mr P wasn't given a clear explanation for the closure and was advised to ignore the letter. The account was then closed without prior outreach from a bank manager. At the time the balance of the account was just over £17,000. HSBC sent Mr P cheque for S's balance on 4 September 2024.

Mr P complained. He said he had to quickly rearrange S's direct debits and hadn't received S's closing balance. In response, HSBC apologised and said that it had made a mistake when it told Mr P to ignore the closure letter. HSBC reissued a cheque to Mr P for S's funds and to put things right offered Mr P £150 compensation.

Mr P remained unhappy and brought his complaint to our service. He said the closure of S's account had caused significant stress to him and impacted his health. Mr P also said the closure resulted in unpaid direct debits and difficulties in opening a new account.

Mr P said £150 doesn't adequately reflect the amount of trouble and upset he has suffered. He would like more compensation, and an apology.

One of our investigators looked into S's complaint and said that HSBC had made mistakes when it told Mr P to disregard the closure letter. But they thought HSBC's offer was fair.

Mr P disagreed. He said he had to find another account for S quickly and his business suffered as a result. He wants HSBC to explain why it closed S's account and pay more compensation.

As no agreement could be reached the matter has come 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.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from financial businesses as confidential for a number of reasons – for example, if it contains information about other customers, security information or commercially sensitive information. It's then for me to decide whether it's fair to rely on evidence that only one party has seen. It's not a one-sided rule; either party to a complaint can submit evidence in confidence if they wish to, and we'll then decide if it's fair to rely on it. Here, the information is sensitive and on balance I don't believe it should be disclosed. But it's also clearly material to the issue of whether HSBC has treated S fairly. So, I'm persuaded I should take it into account when deciding the outcome of the complaint.

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 focused 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. But I have read all Mr P's submissions.

HSBC are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations they must meet when providing account services to customers. They can broadly be summarized as a responsibility to know its customer, monitor accounts, verify the source and purpose of funds, as well as detect and prevent other financial harm. HSBC will review accounts to comply with these responsibilities. Sometimes following a review, a bank will decide to close an account. And that's what happened here.

As the investigator has already explained, it's generally for financial institutions to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Each financial institution has its own criteria and risk assessment for deciding whether to open or close accounts and providing an account to a customer is a commercial decision that a financial institution is entitled to take. Unless there's a very good reason to do so, this service won't usually say that a bank must keep a customer or require it to compensate a customer who has had their account closed.

The terms and conditions that applied to S's current account set out that HSBC could close its account by giving Mr P at least two months' notice. In some circumstances it could close the account immediately. HSBC sent Mr P a letter in May 2024; to let him know it had decided to close S's account with two months' notice. However, when Mr P contacted HSBC to find out what was happening and why HSBC no longer wanted S as a customer, HSBC repeatedly told Mr P to ignore the letter and that it had simply been generated as a part of a review in error. That being said HSBC did comply with the terms of the account when initiating the closure.

HSBC isn't obliged to disclose the reasons for its decision to close S's account (or why it carried out the review for that matter). And I can't reasonably force it to do so. As much as Mr P would like to know. So, I won't tell HSBC to explain its decision to Mr P, because having looked at all the evidence I'm satisfied that HSBC was entitled to close the account, at least in the manner it originally intended too i.e.. by giving two months' notice. I don't consider the closing S's account to be unfair.

Due to HSBC's mistake in telling Mr P to disregard the closure letter, Mr P carried on operating S's account unaware that HSBC intended to close it in August 2024 – as set out in its letter dated 28 May 2024. So, I can understand why Mr P was shocked and upset when HSBC closed S's account in August 2024. As a result, Mr P says he had to arrange another bank account for his business at short notice, contact clients to explain and direct debits went unpaid. Mr P also said he never received the cheque HSBC sent to him for S's closing balance. And he had to chase the return of the funds.

We've asked HSBC about all this. In response, HSBC said that although it would still have closed the account, it gave Mr P wrong information when it told him to ignore the letter it sent to him about closing S's account. To put things right HSBC has offered to pay Mr P £150 compensation. HSBC also reissued a cheque for S's account funds. And apologised.

With all this in mind I've gone on to consider whether HSBC offer of compensation is fair. Because of HSBC's error, Mr P had to arrange a new bank account for S at short notice. Mr P says his caused damage to S's reputation and direct debits went unpaid. He's also said the whole matter took a significant toll on his own well-being and health.

Mr P hasn't provided any evidence of missed direct debits or any business losses. So, I can't award compensation for something there's no evidence of. It wouldn't be fair. I also can't award compensation for the distress experienced by Mr P. S is HSBC's customer and not Mr P himself.

I've considered how HSBC actions impacted S. I've no doubt having S's current account closed without notice was a shock to Mr P. So, I can appreciate this would've been inconvenient for S as Mr P had to quickly arrange a new account for S to continue to operate. HSBC accepts it made a mistake when it told Mr P to disregard the closure letter – on more than one occasion. It also took longer than necessary to return S's closing balance. And it's only right that HSBC recognises this. However, I'm satisfied that £150 is a fair amount of compensation and proportionate to the trouble S was caused in the overall circumstances of this complaint.

In reaching this conclusion, I've kept in mind that Mr P would always have had to spend time sorting things out even if things happened as they should have – in particular, that HSBC would still have closed S's account. I've considered Mr P's further comments about why he thinks he should get more compensation. But these don't change my conclusions.

In summary, I recognise how strongly Mr P feels about what's happened. I don't doubt it has been a frustrating and worrying time. So, I realise Mr P will be disappointed by my decision. But overall, based on the evidence I've seen, I won't be asking HSBC to do anything more to resolve S's complaint.

### **My final decision**

HSBC UK Bank Plc has already made an offer to pay £150 to settle the complaint and I think this offer is fair in all the circumstances.

So, my decision is that HSBC UK Bank Plc should pay S £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 22 December 2025.

Sharon Kerrison

**Ombudsman**