



The complaint

U, a limited company, complains HSBC UK Bank Plc closed its account, returned a refund and won't pay it the proceeds. U is represented by Mr G, a director.

What happened

U wasn't trading, and HSBC contacted it to carry out a safeguarding, or know your customer (KYC) review. It seems the KYC review was started by U but not completed.

HSBC sent U a notice of its intention to close U's account, but received no response. In line with the notice, U's account was closed in July 2022.

U then received a refund, from an airline, on 18 September 2022, and HSBC returned this payment on 20 September 2022.

HSBC sent U a cheque, in the name of the limited company, and Mr G complained as he couldn't pay this cheque into a personal account. HSBC responded to this complaint and said since U was a limited company, and still exists, the money must go to U.

HSBC offered U £250 to compensate for any inconvenience caused.

Mr G referred U's complaint to this service, and an investigator looked into things. The investigator thought it was fair for HSBC not to pay the money to Mr G direct, it was U's money and limited companies are distinct entities.

The investigator thought U could either open a new account or voluntarily dissolve itself and this would likely lead to any proceeds from U going to the shareholders.

And the investigator said HSBC couldn't find the refund from the airline.

Mr G responded with some proof of the purchase and refund, so the investigator put this to HSBC. HSBC found the refund, but said it had returned it.

The investigator assessed things again and said HSBC should pay U a further £100 for the additional inconvenience caused in proving the refund had been made.

HSBC accepted this assessment, but Mr G didn't. Mr G said he had to take a loan to set up a new limited company, unrelated to U, and there was a cost to voluntary liquidation.

Mr G also said any money in U belongs to the directors and the airline told him HSBC needs to contact it to arrange the refund. Mr G asked for an ombudsman to decide things.

My provisional decision

Although I broadly agreed with the investigator's assessment, I thought HSBC could do more

to assist U around the refund it was owed, so I issued a provisional decision, and in it I said:

U is a limited company. Limited companies are distinct legal entities and are set up and run under some strict rules. Any money held in a limited company's account belongs to that specific limited company.

This money should go towards any debts U owes before any is released to directors or shareholders.

Mr G has said several times through his complaint with HSBC and this service the money in U belongs to him, or it's his money. I don't think this is correct.

The money belongs to U, so I think HSBC is correct when it says it can only send a cheque made out to U. And I think the investigator is correct when they say the options open to U are to open a new account or voluntarily dissolve.

Mr G's said U can't open a new account as it isn't trading, so I think voluntary dissolution is potentially the only option for Mr G to access U's money. This should ensure all debts are repaid and any money left is rightfully the shareholder's dividends.

It's usual for a professional, such as an accountant to voluntarily dissolve a limited company, and it's likely this will come at a cost. But it would be unfair to hold HSBC liable for this cost.

HSBC hasn't forced U's dissolution. HSBC closed U's account, with notice, and I don't think it did anything wrong here. HSBC has an obligation to carry out due diligence on U and understand the business and its shareholders and directors.

HSBC attempted to do this, but U didn't provide the required information. HSBC was then left in a difficult position, without being able to complete the review it had to consider its relationship with U, and decide if it wanted to continue to provide banking to it.

Ultimately, HSBC decided to end its relationship, and gave the required notice, and I don't think HSBC was wrong to do this.

U could have paid out the money from its account prior to the closure, and I don't think it's fair for me to hold HSBC liable for U's inability to open an account with another bank.

Mr G has said because he couldn't access U's money he had to take out a loan for a new limited company he set up. As I've already said, the money in U's account belongs to U, not Mr G or any other limited company he sets up or is director of.

I don't think it would be fair for HSBC to compensate another company for refusing to release U's money to anyone other than U.

I accept any voluntary dissolution will come with some inconvenience and cost, but I think this inconvenience and cost is flowing from Mr G's attempts to obtain U's money. I don't think HSBC is responsible for this inconvenience or cost.

But HSBC did return a refund to an airline company. This refund was received around two months after U's account closed. I don't think it's unreasonable for HSBC to return this payment, it hadn't held an account for U for a little while.

But HSBC failed to locate this payment, despite several requests from Mr G and this service. U eventually located the card the payment had been made on, and HSBC was able to find

the payment and confirm it had been returned to the airline company.

This caused further inconvenience to U, so I think the investigator's increase of £100 to HSBC's initial inconvenience payment is fair.

Mr G's contacted the airline company and asked it to resend the refund. The airline company has said it needs to send the money to HSBC, it can't be sent to Mr G. It's likely the airline company is in the same position as HSBC, the money it holds is U's money, not Mr G's.

I've been in touch with HSBC and it's confirmed it will accept the payment from the airline company, if HSBC knows right away the payment's been made.

HSBC would also need to know the date of the refund, the amount refunded, card number, acquirer reference number (better known as an ARN) and the retailer's name.

In an attempt to get this refund sorted I've also been in touch with the airline company, using one of Mr G's emails to reply, but I've not received a response.

Ultimately, this is U's refund, so it's reasonable Mr G, as director, contact the airline company and pass on HSBC's message about what it needs to ensure it can accept the refund and not return it.

I leave it to Mr G to contact the airline company, with HSBC's instructions, if he wants to recover this refund prior to dissolution.

If the refund is received by HSBC it's agreed to pass this on to a professional if they're in the process of dissolving U, along with the amount in U's account at the time of closure.

This seems a fair outcome for U. If the airline company can supply HSBC (via Mr G) with the information it needs, and the refund itself, this refund should form part of U's dissolution and therefore part of any money owed to shareholders at the point of dissolution.

HSBC has already agreed to pass U's money across to a professional dissolving U, and this seems a very fair outcome. And, whilst I accept this has been an inconvenient time for U, it wasn't trading, so the impact has been less, and I think £350 is a fair offer of compensation.

Responses to my provisional decision

HSBC accepted my provisional decision and agreed to pay U £350.

Mr G didn't accept my provisional decision and said he wanted information about the termination of the account and credit card.

Mr G also asked about our role as a service.

Mr G wanted to know the reasons for HSBC refusing to re-open the account so he could simply remove the money.

Mr G said we'd accepted HSBC's word about the card not existing until we'd been forced to reject its point. And my provisional decision gave no allowance for how Mr G could recover the refund owed.

Mr G thinks HSBC should cover any liquidation costs, £3,000 and £425 both plus VAT.

And Mr G said he was unable to open a new account for U as he's now overseas and although HSBC is a worldwide bank it needs a significant sum of money to be deposited before it will open an account.

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.

Details about our service, our remit and what we do is available on our website, and our rules are laid down in DISP.

My role, in part, is to give a final decision on whether I think HSBC has treated U fairly and reasonably in all the circumstances of its complaint. This decision becomes legally binding on HSBC if U accepts it.

Mr G says he's considering legal action, and I leave this to him to take forward if he feels my decision isn't one U can accept.

Mr G's been sent the letter HSBC sent him, it was sent to the same address as Mr G's complaint form for this service, so I'm satisfied it was sent and to the right place.

This letter says HSBC is withdrawing all its services from U, so I'm satisfied U was told its bank account and any other associated services, like a credit card, would be closed.

HSBC took this decision to close because U didn't complete the KYC review, and I think HSBC reached a fair decision in closing U's account.

HSBC then refused to reopen U's account, because the KYC review hadn't been completed.

Mr G's sent in some screenshots of a webchat with HSBC, trying to open a new account for U. HSBC has said it can't do this if the directors are outside the UK. And this seems in line with other businesses, Mr G's said he can't open an account with other banks either.

Unfortunately, I can't comment on the fairness of this, U's complaint to this service came prior to this webchat, and isn't part of U's complaint or HSBC's final response.

Mr G could try to open an account for U, and if it's not accepted, he may be able to bring U's complaint to this service, but this would be a new complaint.

Mr G says we accepted HSBC's word on the card, which is initially correct. But the investigator asked for more evidence from Mr G and eventually found HSBC had received the refund and returned it to the airline.

Mr G says neither he nor U can get this refund, but I've looked at what the airline company says. The airline company says it can only send the refund back to HSBC. I addressed this in my provisional decision.

HSBC says it will accept the refund, and not return it, if it knows when it's coming. And HSBC would also need to know the date of the refund, the amount refunded, card number, acquirer reference number (better known as an ARN) and the retailer's name.

I think this is a fair thing for HSBC to do, the refund isn't owed to HSBC, so I don't think HSBC is in a position to claim this back from the airline company direct.

This is U's refund, and I think it's for U to continue to correspond with the airline company to get this refund, and this refund will still form an amount of money owed to U and not Mr G.

Mr G says he would have accessed the money in U had he known the account would close and a cheque would be sent in U's name. But I think HSBC made it clear to Mr G it was looking to close U's account if the KYC review wasn't completed.

And the money in the account is U's, not Mr G's. I don't think HSBC has done anything wrong in saying this money can't be paid direct to Mr G.

Mr G says HSBC should cover the costs of U's dissolution, but I don't think this would be fair. I don't think HSBC hasn't forced the dissolution of U.

HSBC has money owed to U, which could be paid into another account in U's name. I realise Mr G has struggled to open a new account, but I can't hold HSBC responsible for this as part of this specific complaint.

The other option, without an account, is to dissolve the company and the money becomes bona vacantia, or voluntarily dissolve U to ensure all its debts are settled and any money becomes shareholder's money.

Unfortunately, I think this is more an issue with the legal status, and the rules of limited companies than anything HSBC has done. So, I don't think it would be fair for HSBC to bear the cost of U's dissolution.

But I think HSBC has caused U further inconvenience, in line with my provisional decision, and I still think a payment of £350, to U, is fair in all the circumstances of this complaint.

My final decision

My final decision is I uphold this complaint and HSBC UK Bank Plc should pay U £350 to compensate for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask U to accept or reject my decision before 10 July 2025.

Chris Russ
Ombudsman