

The complaint

Mr S complains on behalf of a branch of R, a national charity, that HSBC UK Bank Plc gave inaccurate advice about the procedures to follow to transition to a Charitable Incorporated Organisation (CIO) and its wish to retain its existing bank account.

What happened

Mr S said R was planning to become a CIO in line with national advice, and said it fully complied with HSBC's guidance, via its business manager only to be told after the transition that the proposed course of action was not possible.

Before this, Mr S said he attempted to contact HSBC's business manager through the local branch, without receiving any response. And then visited a main branch in early November 2024 and insisted on action and said it was only then, the business manager made contact. Mr S said he explained R's transition to a CIO and concerns about the potential loss of long-standing donations made via standing orders for which R no longer holds contact details.

Mr S and R's treasurer met the business manager in mid-December 2024, setting a target of 31 March 2025 for the changes. Mr S said the business manager suggested that R change its name on its accounts to retain the numbers and said the only requirement was a copy of trustee meeting minutes requesting HSBC to amend the account names.

R's transition completed and the trustees approved the change of account name, with forms sent to HSBC. But HSBC decided a name change wasn't possible as R was now a new legal entity. Mr S said other branches of R made changes with other banks, indicating that this isn't a legal restriction, but rather HSBC's own policy. Mr S said R has been told to close old accounts and open new ones, but this may cause a loss of donors. R complained to HSBC.

HSBC confirmed R couldn't change its name and retain its accounts as it is now a different, incorporated entity. HSBC apologised for incorrect information and paid £200 compensation for the inconvenience to R. It said R could still keep the accounts open 'until everything is up and running and we can book you an appointment with our onboarding team', which meant any direct debits and standing orders can be transferred to the new account.

Mr S wasn't satisfied with this response and referred R's complaint to our service. He said HSBC's offer of compensation '*demonstrates a profound lack of understanding of the seriousness and impact of the current situation.*' HSBC then reviewed its response and offered further compensation of £300, totalling £500.

Mr S declined saying, '*The potential loss amounts to many thousands of pounds, depending on how many years one reasonably projects into the future.*' Mr S said HSBC should honour the original offer and retain R's accounts, as opening new ones is not a legal requirement.

Our investigator didn't recommend the complaint be upheld. He said R spent time and effort following HSBC's incorrect advice, but he thought £500 compensation was a fair response. He acknowledged that R thinks HSBC should honour their original advice, but said we cannot tell banks how to conduct their internal policies.

Mr S disagreed with the investigator and requested an ombudsman review R's complaint. He said there were similar experiences from other branches of R, where HSBC has taken the same line. Mr S said the investigator hadn't explained how '£500 is fair'. Mr S asked if HSBC should be obliged to change an account name to allow retention of an account. He said this would ensure donations aren't lost and would provide exemplary care for the charity sector.

More recently, R contacted us to propose that rather than dissolving the old charity, it merge the two charities. It understands this is something that is done through the Charities Commission. Unfortunately, HSBC has told us that information held at the Charities Commission requires a new account to be opened, as opposed to R merging its old and new charitable status in order to utilise its existing 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.

I was sorry to learn that what should have been a relatively straightforward process of transitioning R to a Charitable Incorporated Organisation (CIO) has turned into a prolonged and frustrating experience for the charity.

My role is to determine whether what took place was reasonable and whether HSBC followed the process correctly and whether it has treated R fairly. What's not in question is whether HSBC made mistakes. They acknowledged that they gave inaccurate advice and that they were responsible for delays. I'm glad to see that HSBC has apologised for those errors and offered compensation.

I sympathise with R because it followed its own legal advice to engage with HSBC early in the transition process to retain its account and because the name change was promoted by HSBC's business manager. R received very clear advice about what to do, and this was wrong. I hope HSBC views this complaint as an opportunity to review the approach taken by their business managers to the advice given about their policy. This would be to ensure that the advice is a new account must be opened when a body is changing its legal structure.

Our investigator has correctly stated the limitations of our role, in that we provide resolutions to complaints, but we cannot compel a business to change its internal policies or tell HSBC how it should implement regulatory guidance. HSBC is under a regulatory duty to have account management systems in place, and I haven't found that it acted outside of the financial regulations. It is for the Financial Conduct Authority to ensure its guidance and regulations are effectively implemented.

However, our service can consider the impact of a business error in terms of an award of compensation or action to put things right. R informed HSBC of its intention to become a CIO and said it didn't want a new account as it didn't want to lose donors. HSBC's policy, as Mr S has belatedly discovered is that a new account is required as the CIO is a different legal entity.

When a business provides incorrect information, the remedy is to put the complainant back in the position they would have been in if the incorrect information had not been given - not in the position they would have been in had it been true. In this case, if the correct information had been given, R would have been told that a new account was required for its new status. So being given the incorrect information hasn't altered R's position – but it has caused a great deal of uncertainty and delay.

Although a business can't experience upset it can be inconvenienced, and HSBC has apologised for what it has done to R. Mr S said £500 compensation is inadequate due to the

potential loss of many thousands of pounds. Mr S should note that our service cannot make an award for potential losses in the future only what is evidenced to have happened.

I agree with the investigator that £500 compensation is about right for the inconvenience suffered by R in respect of the incorrect advice provided by HSBC. I say this because the award is in line with others we have seen in similar circumstances and because I haven't seen any evidence that the overall outcome for R would have been different with better service. Our guidance states that £500 is fair where the impact of a business's mistake has caused significant inconvenience and disruption that needs a lot of extra effort to sort out. Typically, the impact lasts over many weeks or months.

Our service investigates the merits of complaints on an individual basis and that is what I've done here. I think it's important to explain that my decision is final. I realise that R will be disappointed by this outcome though I hope they appreciate the reasons why this outcome has been reached.

My final decision

For the reasons I have given it is my final decision that the complaint is upheld. If accepted by R, I require HSBC Bank UK Plc to pay R a total of £500 compensation for the inconvenience and delays its incorrect advice has caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 30 December 2025.

Andrew Fraser
Ombudsman