

The complaint

Miss D complains HSBC UK Bank Plc unfairly restricted and closed her accounts. Miss D says the decision to withhold the funds within her account is causing her detriment and they should be released.

What happened

The facts of the complaint are well known to both parties, so I will only provide a summary of the key points. Miss D is represented on this complaint, but for ease I will refer to her directly.

Miss D opened two accounts with HSBC in October 2023.

The account was blocked on 9 December 2024 in order for HSBC to carry out a review. Following HSBC's review, the decision was made to close the account on 12 February 2025.

Miss D raised a formal complaint regarding the handling of her account, and in its final response letter issued 26 March 2025 HSBC explained that it had acted in line with the account terms and its regulatory duties. HSBC confirmed £256,100 was retained, and Miss D would need to provide evidence to show the source of these funds and how they were accumulated.

Miss D referred her complaint to our service as she remained unhappy with how HSBC handled her accounts and treated her. Miss D says she provided clear information to HSBC regarding the funds in her accounts, and HSBC has failed to provide a clear reason for its actions. Miss D says the closure of the accounts and HSBC's decision to withhold her funds has had a detrimental impact on her business and its ability to operate.

An Investigator gathered the relevant evidence and in summary, made the following findings:

- HSBC acted fairly in blocking the account as it has legal and regulatory obligations that it must adhere to.
- HSBC also acted in line with relevant account terms and conditions.
- HSBC isn't obliged to give Miss D a specific reason for its decision to close the account.
- It is reasonable for HSBC to ask for evidence regarding the source of funds within her accounts.

Miss D remained unhappy and maintained HSBC had acted unfairly, and ought to release her funds. Miss D obtained legal representation, and additional submissions were made. This included the provision of further evidence regarding the source of funds within the accounts. The Investigator explained this new evidence didn't change their view and explained the new evidence should be forwarded to HSBC for its consideration.

As no agreement could be reached, the complaint has been passed to me – 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.

I appreciate Miss D was disappointed by the Investigator's opinion. I'd like to reassure Miss D that I've considered the whole file and what's she and her representative have provided. But I'll concentrate my comments on what I think is relevant. If I don't mention any specific point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. No discourtesy is intended by me in taking this approach. Our rules allow me to take this approach. It simply reflects the informal nature of our service as a free alternative to the courts.

I'll start by setting out some context for the review of Miss D's accounts. UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. This applies to both new and existing relationships. These obligations override all other obligations. In Miss D's case I'm satisfied HSBC was complying with these obligations when it reviewed Miss D's accounts.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information HSBC has provided is information that we considered should be kept confidential. This means I haven't been able to share a lot of detail with Miss D, but this information is key in determining Miss D's complaint. So, I must consider it carefully when making a determination.

Miss D's account terms and conditions also allow HSBC to block the accounts in specific circumstances. I understand Miss D's frustration with the block, and I don't doubt it would've had a detrimental impact on her, especially given her comments about her business and reliance on the funds within the account. But I consider the block to be necessary to ensure HSBC was able to comply with its regulatory requirements.

HSBC's review of Miss D's accounts led to its ultimate decision to close the accounts. I understand Miss D feels this decision was unfair, especially as no notice or explanation was given to her. Ultimately, HSBC is entitled to set their own policies and part of that will form their risk criteria. It is not in my remit to say what policies or risk appetite HSBC should have in place. I can however, while considering the circumstances of individual complaints, decide whether I think customers have been treated fairly. As long as they reach their decisions fairly, it doesn't breach law or regulations and is in keeping with the terms and conditions of the account, then this service won't usually intervene. They shouldn't decline to continue to provide banking services without proper reason, for instance of unfair bias or unlawful discrimination. And they must treat new and existing customers fairly. Given its regulatory and legal obligations, I'm satisfied HSBC's decision was made fairly.

The terms and conditions of Miss D's accounts set out that the bank can close the accounts immediately. In this case HSBC blocked Miss D's account, so I consider this to be akin to an immediate closure. For HSBC to act fairly here they needed to meet the criteria to apply their terms for immediate closure. In my view, I consider the evidence HSBC held to be sufficient for it to close Miss D's account with immediate effect. I understand this would've had an impact on Miss D, and she has explained her business relied on these accounts and she was unable to meet obligations such as paying suppliers. Miss D hasn't provided specific

details of this, but I consider HSBC's decision to block and close the account appropriate, and I don't think HSBC ought to compensate Miss D for the issues she says she experienced as a result of its actions.

A key issue for Miss D is HSBC's decision to retain the funds held within the account. In order for it to meet its legal and regulatory duties HSBC needs to be satisfied the funds within the account are legitimate and Miss D is entitled to them. Miss D has explained the funds are connected to her business and she has provided evidence to support this. I can see initially Miss D did provide some information regarding her business and the transfers made to her HSBC account. Miss D's representative also forwarded on further evidence – and this included documents which it says show the funds were a short-term director's loan. In addition, statements have been provided, which Miss D show the funds in the account are also due to her for services rendered. Essentially Miss D says all of this evidence supports her position – the source of funds is clear and legitimate, and the account balance ought to be released to her.

I've considered this evidence and the timeline of events, and I still find HSBC's actions at the time it restricted and closed the account to be reasonable. The information it held at this time regarding the account balance was limited. The evidence provided by HSBC in confidence shows that a detailed review of the account took place, and HSBC considered all the relevant evidence it had access to, including the information it gathered from Miss D when the account was opened, and it carried out KYC checks. In order to meet its legal and regulatory obligations HSBC will have clear guidance and processes in place when it restricts an account and closes it. Within the information HSBC has disclosed in confidence I can see HSBC has adhered to this, and I consider its actions to be appropriate.

The additional evidence provided by Miss D's representative now has been forwarded on to HSBC for its consideration. As explained by the Investigator Miss D has had the opportunity to provide this evidence from the outset. It will now be for HSBC to consider this additional evidence in light of its legal and regulatory duties. My current review of Miss D's complaint won't be involving any recommendation for HSBC to take action based on this new evidence.

I'm sorry this isn't the outcome Miss D hoped for, and I know she will be disappointed with the decision I've reached, but I hope it provides some clarity around why I won't be asking HSBC to take any further action or compensate Miss D.

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 Miss D to accept or reject my decision before 26 February 2026.

Chandni Green
Ombudsman