

The complaint

Mr W complains that HSBC UK Bank Plc closed his accounts without providing a proper explanation and withheld money in his accounts. He says this caused him unnecessary stress and worry for which he should be compensated.

What happened

Mr W had two accounts with HSBC which he opened in 2022.

In September 2024, a payment of just over £15,000 was paid into Mr W's current accounts from an accounts Mr W held with another bank. Following this, HSBC decided to review Mr W's accounts to comply with its legal and regulatory obligations. HSBC blocked the accounts whilst it completed the review. And asked Mr W to provide information about his entitlement to the money, source of wealth and other transactions, including cash deposits on his accounts between June and September 2024.

Mr W discovered his accounts were blocked and contacted HSBC to find out what was happening. Mr W explained that the payment was his balance from another account that had been closed by the bank and were legitimate funds from his business income.

Mr W also explained that cash deposits were from his friend, who I will refer to as V, to pay V's sister's overseas medical bills, and money from his fiancée's parents to pay her rent and her sister's tuition fees. Mr W said the cash from his fiancée's parents originated from their rental property business and long-term cash savings.

Mr W provided their company income and booking sheets from a well-known holiday accommodation booking site showing their earnings and a signed letter and confirmation of the funds they provided which he deposited in cash into his accounts.

HSBC reviewed what Mr W provided. On 22 October 2024, HSBC wrote to Mr W to let him know that following its review it had decided to close all his accounts immediately. HSBC also said it wasn't satisfied that Mr W had provided enough information to show he was entitled to the money paid into his account in September 2024. So, it said it wasn't willing to release the funds to him.

Mr W complained to HSBC. He said HSBC treated him unfairly by blocking and closing his accounts without notice. And the money in his accounts belonged to him.

In response, HSBC said that it had reviewed and closed Mr W's accounts to comply with its legal and regulatory obligations. And wasn't satisfied that Mr W was entitled to the money paid into his accounts in September 2024.

Mr W remained unhappy and asked us to investigate his complaint. He said the closure of his accounts and lack of access to his funds caused him a lot of problems. He wants HSBC to provide a proper explanation about why it closed his accounts and held onto his money. After looking at all the information the investigator said that HSBC hadn't treated Mr W fairly when it had blocked and closed Mr W's accounts. The investigator said that they were satisfied Mr W could show that the September 2024 payment had come from Mr W's other account after it had been closed. And that Mr W used the money in his accounts as he'd explained - to pay his fiance's rent and her sisters education fees. So, he didn't think HSBC were fair to withhold the funds.

To put things right the investigator said HSBC should release the withheld money, pay 8% interest on the funds and £200 compensation.

Mr W agreed, HSBC didn't. In summary they said:

- The bank had withheld the money paid into Mr W's accounts to comply with its legal and regulatory obligations so it didn't think it should pay interest as recommended by the investigator.
- It agreed to pay £200 compensation
- It was now in a position to release the funds to Mr W.

As no agreement could be reached the matter came to me to decide. After reviewing everything I reached a different conclusion to the investigator. I issued a provisional decision in which I said the following:

Provisional decision

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 Mr W fairly. So, I'm persuaded I should take it into accounts 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 W's submissions.

I want to make it clear that I understand why what happened concerned Mr W. I've no doubt it would've come as quite a shock to him, and he would've been very worried to find out that his accounts had been blocked. But as the investigator has already explained, HSBC has extensive legal and regulatory responsibilities they must meet when providing accounts services to customers. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime. Sometimes, that means HSBC has to block accounts, ask a customer for information and go so far as closing an account to comply with their obligations.

I've considered the basis for HSBC's review and having done so I find this was legitimate and in line with its legal and regulatory obligations. So, I'm satisfied HSBC acted fairly by blocking Mr W's accounts. I appreciate that Mr W wants to know more about why HSBC did what it did. But HSBC isn't obliged to tell Mr W why it blocked and reviewed his accounts, and I don't believe it would be appropriate for me to require it to do so as much as he'd like to know.

The terms and conditions of Mr W's accounts also make provision for HSBC to review and suspend an account. And having looked at all the evidence, I'm satisfied that HSBC have acted in line with these when it suspended Mr W's accounts. So, although I understand not having access to his accounts caused Mr W trouble and upset it wouldn't be appropriate for me to award Mr W compensation since I don't believe HSBC acted inappropriately in taking

the actions that it did when it blocked Mr W's accounts and asked him for information about his source of wealth and how he was using his accounts.

Mr W has argued that his other bank didn't have any issues with the money he moved to his HSBC accounts. And that HSBC hadn't asked him anything about the cash he was depositing into his accounts, which he says infers HSBC didn't have any legitimate concerns about how he was using his accounts.

Whilst I accept the point Mr W makes here, I must highlight it is not within this service's remit to tell a business how to run their processes or procedures such as what questions they should ask a customer in order for them to be satisfied they are meeting their legal or regulatory requirements. It would be the role of the regulator – the Financial Conduct Authority (FCA), who have the power to instruct HSBC to make changes to their policies and procedures, if necessary.

Each business will have their own individual procedures with respect to their legal obligations. This is to ensure each business can meet their regulatory requirements but also have the autonomy to operate its business as it sees fit. So, whilst I've considered Mr W's general comments about HSBC's approach to discharging its regulatory duties, I haven't seen anything to persuade me its processes had a detrimental impact on him.

The result of the review was that HSBC decided they didn't want to provide financial facilities to Mr W anymore. HSBC wrote to Mr W in October 2024 to let him know that it had decided to close his accounts immediately.

It's generally for banks and financial businesses to decide whether or not they want to provide, or to continue to provide, accounts facilities to any particular customer. Unless there's a very good reason to do so, this service won't usually say that a bank or financial business must keep customer or require it to compensate a customer who has had their accounts closed.

As long as banks and financial businesses reach their decisions fairly, it doesn't breach law or regulations and is in keeping with the terms and conditions of the accounts, then this service won't usually intervene. They shouldn't decline to continue to provide accounts services without proper reason, for instance of unfair bias or unlawful discrimination. And they must treat new and existing customers fairly.

HSBC have relied on the terms and conditions when closing Mr W's accounts. I've reviewed the terms, and they explain that HSBC can close an account for any reason by giving 60 days' notice. In certain circumstances, HSBC can also close the accounts without notice, which is what happened here.

For HSBC to act fairly here they needed to meet the criteria to apply their terms for immediate closure – and having looked at these terms and all the evidence that the bank has provided, including the information HSBC has provided to this service in confidence, I'm satisfied that HSBC did.

HSBC has provided some further details of its decision-making process, which led to the closure of Mr W's accounts. I'm sorry but I can't share this information with Mr W due to its commercial sensitivity. But I've seen nothing to suggest HSBC's decision around closing Mr W's accounts was unfair. On balance when considering HSBC's wider regulatory responsibilities and all the information available to me, I find HSBC had a legitimate basis for closing Mr W's accounts immediately. So, it would not be appropriate for me to ask HSBC to

pay Mr W compensation since I don't find HSBC acted inappropriately when it closed the accounts.

The crux of Mr W's complaint is that he says HSBC shouldn't have withheld the money that was paid into his accounts. I've looked at the information HSBC provided about what it was doing as part of its review process, which includes the information HSBC has provided to our service in confidence. I've also considered what Mr W has said about the money and looked at the evidence he has provided to the investigator about how he was using his accounts. Having done so I'm not persuaded that Mr W has provided sufficient evidence to show that he is entitled to the money that was paid into his accounts. So, I won't be directing HSBC to release the funds. I find HSBC had sufficient grounds not to allow Mr W access to the funds. I find their decision was in line with their legal and regulatory obligations.

I note that HSBC has accepted its service fell short and has agreed to pay Mr W £200 compensation recommended by the investigator. But it doesn't follow that I must award Mr W compensation in these circumstances. Instead, I have to consider all the circumstances and information surrounding Mr W's complaint to decide whether I think awarding compensation would be a fair and reasonable outcome.

After considering what Mr W has said and the content of HSBC's review, which includes the information HSBC has provided to our service in confidence, I don't find awarding Mr W compensation would be fair or appropriate. I understand Mr W would naturally want to know the information I have weighted in order to reach this finding. But as I've set out already, I am treating this information in confidence, which is a power afforded to me under the Dispute Resolution Rules (DISP), which form part of the Financial Conduct Authority's regulatory handbook.

Accordingly, I have accepted information in confidence which I am not disclosing to Mr W. And the description of that information is that it's of a nature which justifies HSBC review, and which has led me to decide that awarding Mr W compensation would not be a fair or appropriate outcome for any of the matters he has brought as part of this complaint.

So, I'm not requiring HSBC to compensate Mr W for any trouble and upset he may have experienced because of the time taken for HSBC to carry out its review, and the further dissatisfaction he experienced which ultimately flowed from not having access to the funds in his accounts, including his unhappiness with HSBC's communication and the information it didn't provide him.

In summary, I recognised how strongly Mr W felt about his complaint, so I realise he will be disappointed by my decision. But overall, based on the evidence I've seen I won't be telling HSBC to do anything more to resolve Mr W's complaint. HSBC didn't respond to my provisional decision.

Mr W disagreed. In summary he said:

- He has provided information and documents that he says show he is entitled to the money paid into his account which HSBC are withholding.
- He wants the money to be released as soon as possible.
- He has no issue with HSBC reviewing, blocking and closing his accounts.
- The funds in question derive from genuine trading activity in connection with short-term rental accommodation.
- It is unclear on what legal basis his beneficial entitlement is displaced.
- AML review and risk assessment are matters of regulatory compliance. Ownership of funds is a matter of property law. The decision does not identify any statutory

prohibition preventing release.

Mr W also submitted more documents to support his entitlement to the money HSBC is holding.

Now both sides have had an opportunity to comment I can go ahead and issue my 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.

In response to the provisional decision, Mr W has made some further comments and provided more documents – including details of his accommodation earnings, and directors loan, for me to consider.

I've seen a great deal of evidence, in particular information in relation to the source of the money HSBC is withholding, I have considered all of this along with Mr W's recent comments, document and the arguments he has raised throughout the life of this complaint. I am not going to rehearse every argument here. But I will comment on Mr W's response to my provisional decision.

Mr W has said that the money HSBC is holding is legitimate earnings from his accommodation rental business – he has said that his company has a number of properties which are advertised on a well-known rental platform. But Mr W hasn't set out how this arrangement works and how his company benefits – for example I have seen no evidence of Mr W's business model, or how the properties are managed. If these were legitimate transactions/rental I'd expect Mr W to be able to provide details of his ownership/lease of the properties he says he rents. But I've not seen any evidence of this.

The central issue which I need decide if whether or not HSBC acted fairly when it decided to withhold money that was paid into Mr W's account.

I've considered this evidence and the timeline of events, and I still find HSBC's actions to be reasonable. The evidence provided by HSBC in confidence shows that a detailed review of the accounts took place, and HSBC considered all the relevant evidence it had access too, including the information it gathered from Mr W. In order to meet its legal and regulatory obligations HSBC will have clear guidance and processes in place, and in light of this I can understand why HSBC doesn't consider the information Mr W has provided to be sufficient.

Mr W says the burden of proof HSBC has imposed is unreasonable. There is no one prescriptive way a business should carry out a proof of entitlement check. A range of factors needs to be considered, depending on the individual circumstances. It is not my role to decide what evidence should meet HSBC's requirements. However, I have considered the review and requests from HSBC, and I consider them to be proportionate and in keeping with general industry practice. In light of this it wouldn't be appropriate for HSBC to release the funds, and Mr W will need to liaise with HSBC directly about next steps.

In conclusion, I see no reason to depart from my provisional findings. I remain of the view that this complaint should not be upheld for the reasons set out in my provisional decision, which are repeated above and form part of this decision. On this basis I don't think it would

be fair or reasonable to ask HSBC to pay Mr W compensation. So, I won't be asking HSBC to do anything further here.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 14 April 2026.

Sharon Kerrison
Ombudsman