

The complaint

A company I'll call L complains that HSBC Bank UK PLC (HSBC) blocked then closed its accounts and withdrew its Bounce Back Loan (BBL), without explaining why.

L is represented by one of its directors, Mr Z.

What happened

On 13 September 2022, HSBC blocked L's accounts in order to carry out a review. The block meant L couldn't receive money into the accounts or access the account funds to make payments, so Mr Z called to complain. HSBC wouldn't say why it had blocked the accounts and declined to remove the block while the review was underway. It issued a final response letter on 14 September 2022, saying the accounts were blocked while it complied with its legal and regulatory obligations, but it didn't provide any further information.

When HSBC completed its review, it decided it didn't wish to retain L as a customer, so it issued a letter dated 4 October 2022 giving two months' notice of its intention to close L's accounts. And a 2nd letter dated 24 October 2022, calling in the BBL and requesting immediate payment of the outstanding balance (£46,736.23). It used L's account balance to settle the BBL debt and the block remained, meaning L couldn't access the funds left in its account.

Mr Z brought L's complaint to our service, and our investigator upheld it. She said HSBC was entitled to block and close the account, but she wasn't satisfied it had demonstrated an entitlement to call in the BBL. So she said HSBC should reinstate the BBL and pay L simple interest at the rate of 8% on the funds it had unfairly deprived L of.

Mr Z accepted our investigator's findings, but HSBC didn't. It said it had acted in line with the terms of the BBL, so it asked for an Ombudsman to review the matter afresh.

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.

Account block

All banks in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. That sometimes means they need to restrict customers' accounts while they carry out a review.

So, in order to make an award in favour of L, I would need to be satisfied that HSBC acted unfairly or took actions it wasn't entitled to take. Having looked at the evidence, I'm satisfied HSBC acted in line with its legal and regulatory obligations when it blocked L's accounts. And that it was entitled to do so under the account terms and conditions that governed the relationship between HSBC and L.

I understand why Mr Z wants HSBC to share its reasons with him. But HSBC is under no obligation to do so, whether contractual or otherwise. So, I can't say it should have given Mr Z more information when he asked.

However, I do think HSBC could have returned the balance in L's accounts sooner than it did. Our investigator felt HSBC should have released the block on 25 October 2022, being the date by which it had completed its review and called in L's BBL. And I agree with that timeframe. Although I should say that HSBC has shared the wider circumstances of its review with our service, and in light of that, I accept it was reasonable for HSBC to keep L's accounts blocked until it completed its review.

However, I haven't seen reasonable justification as to why HSBC held onto L's funds beyond that date, so HSBC must compensate L for the time it unfairly deprived L of its funds. HSBC didn't tell our service when it returned L's funds, but Mr Z told our service he received the funds on 19 December 2022, so that is the date I will use for the purposes of interest calculations. My directions in this regard are detailed below.

Account closure

A bank is entitled to close an account with a customer, so long as it does so in a way that complies with the terms and conditions of the customer's account. The terms and conditions of L's accounts say that HSBC can close the accounts by giving two months' notice. And again, there is no obligation on HSBC to disclose the reasons for its decision to L.

HSBC's notice to close letter was dated 4 October 2022, and informed L that its accounts would be closed two months later. So, it follows that HSBC correctly followed its process and gave L the required notice. And while I understand L didn't have access to its accounts during that period, for the reasons I've set out above, I'm satisfied HSBC was entitled to keep the block in place up to 25 October 2022.

And, while HSBC isn't obliged to disclose the reasons for its decision to L, I have looked at the evidence it provided our service to support its decision. And having done so, I'm satisfied that it was entitled to close L's accounts in the manner it did. And that it didn't treat L unfairly by closing the account.

BBL

HSBC told our service it was entitled to withdraw the BBL in accordance with the terms and conditions of the loan. And it set out the extent of the review it carried out in determining whether it should recall the loan. I accept the terms of the BBL entitle HSBC to recall the loan in certain circumstances, but our service would expect to see justification for a recall to ensure HSBC has treated its customer reasonably, so HSBC's discretion in this regard is not unfettered.

The conditions, rules and requirements that apply to BBLs are different to those that apply to current accounts. And our service's approach to termination of each of these products is distinct, in no small part because a bank account can be replaced relatively easily. Whereas the same cannot be said of a credit facility, particularly a BBL. And the consequences of terminating a BBL are usually more severe than the consequences of terminating a current account, in no small part because BBLs were incepted to help businesses that might be struggling to operate successfully throughout COVID.

With that in mind, I've looked at the evidence HSBC sent our service, to understand why it recalled the loan, and whether or not it treated L fairly in doing so. And having done so, I'm not persuaded it was entitled to call in the BBL. I'll explain why.

Because HSBC isn't obliged to disclose the reasons for its decision to L, I won't go into detail about the evidence and rationale HSBC has submitted. However, while I can see HSBC had concerns about retaining L as a customer that were born out of a wider review, I haven't seen evidence to demonstrate it was entitled to terminate the BBL in the same manner as it terminated the current account.

I should say that I'm satisfied HSBC's intentions in commencing its review and recalling the BBL were reasonable, and I understand why it decided to do so. Furthermore, it is not for me to set out exactly what steps HSBC should follow before terminating a BBL: that is a matter for HSBC to decide and those steps will vary from case to case. So, to be clear, I have decided this complaint based on the facts particular to this case and what I consider to be fair and reasonable.

With that being said, HSBC hasn't demonstrated a level of concern that would justify recalling a BBL in this instance. It has said why it doesn't want L as a customer, but beyond simply stating that it has concerns, it hasn't provided any evidence to specify details of those concerns, nor to support those concerns and demonstrate why they are reasonable ground for recalling a BBL.

And as I've said above, there is a higher bar for recalling a BBL than there is for closing an account with notice and, given HSBC didn't provide our service with details of its concerns, it appears that HSBC applied the same rationale for exiting L as it did for calling in the BBL.

To be clear, I'm not denying HSBC's right to recall a BBL in certain circumstances, and had HSBC fleshed out its concerns or provided further evidence, I may have reached a different outcome. But as I've said above, I have to assess each case on its own merits, and on this occasion, I'm not persuaded HSBC has done enough to demonstrate its actions were reasonable.

As to what HSBC should do to put things right, firstly it follows that it should reinstate the BBL and return the same to the position it was in at the date of the recall. But it will also need to compensate L for issues it has experienced as a result of HSBC's errors.

Mr Z has set out the impact this had on L and I'm grateful for his honest and open reply on this point. Because L was able to make alternative arrangements of its own accord, it was able to mitigate any potential losses. That's not to say though that it didn't suffer as a result of HSBC's actions, and I think it is self-explanatory that being denied access to an account balance of £158,566.25 will have impacted L's operations and caused L difficulties.

As an example, Mr Z has set out details of difficulties in paying staff, suppliers and central and local Government bodies on time. And I consider that paying simple interest at the rate of 8% for the period during which L was deprived of its funds puts L back in the financial position it would have been in, had HSBC not delayed in returning L's funds and had HSBC not recalled the BBL when it did.

The interest calculation will be split into two parts because most of L's funds were returned to L by cheque in December 2022, but the BBL funds have yet to be returned. So interest will be payable on the main account balances (excluding the funds used to pay off the BBL) from 25 October 2022 to 19 December 2022. While interest on the sum HSBC used to settle the BBL will be payable from 25 October 2022 up to the date HSBC returns the BBL funds to L.

I can see that HSBC's actions also caused L inconvenience in that its directors' attention was diverted elsewhere to deal with the fallout of HSBC's errors. And I think £300 fairly

compensates L for that inconvenience.

My final decision

My final decision is that I uphold this complaint. To put things right, HSBC Bank UK PLC must:

1. Reinstate the BBL on the same terms that existed at the date the same was recalled;
2. Pay L simple interest at the rate of 8% on the funds HSBC used to settle the BBL debt when it called in the BBL, from 25 October 2022 until the date the BBL funds are returned to L;
3. Pay L simple interest at the rate of 8% on the remaining account balances that were withheld, from 25 October 2022 to 19 December 2022; and
4. Pay L £300 in recognition of the inconvenience it experienced as a result of HSBC's errors.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 21 March 2024.

Alex Brooke-Smith
Ombudsman