

The complaint

Mr R complains that HSBC UK Bank Plc trading as first direct ('HSBC') closed his bank account and related services without notice or explanation. He says this caused him to miss payments and have his insurance cancelled and credit declined. He wants HSBC to provide an explanation, correct records and pay compensation.

What happened

Mr R had bank accounts, an ISA and credit facilities which were provided by HSBC.

Mr R said that on 2 August 2023 he found upon waking up that he couldn't access his bank account. He said he called HSBC immediately.

During the call with Mr R on the morning of 2 August 2023 HSBC said it had issued a letter that day to say it was closing Mr R's accounts and associated products. HSBC told Mr R he had a positive balance and a number of outstanding authorisations which needed to be actioned which would leave him with some credit to be taken elsewhere. He also had a balance in his ISA and would have 30 days to tell HSBC if he wanted to transfer the contents elsewhere – if not HSBC would issue a cheque.

HSBC offered during the call to read through a list of Mr R's direct debits and standing orders. And it said it would send the list by post. Mr R said he wanted to know why this was happening. He said he had no other accounts and no access to any money. HSBC said it didn't have to give him a reason and it wouldn't do so. Mr R said he would attend a branch immediately and he wanted to immediately collect all of his money in cash, including the contents of his ISA. HSBC said it would arrange for that to happen, but would leave enough money in the account to cover the outstanding authorisations.

Still on 2 August 2023 HSBC recorded that Mr R had complained and it replied in writing to the complaint on the same day. It didn't uphold the complaint. In summary it said the following:

- HSBC had exercised its right under section 19 of its terms and conditions to close Mr R's accounts and any associated products.
- HSBC had told Mr R by phone that morning that it had sent him a letter and email. The email was a secure message sent to his online banking inbox at 10.14am, but Mr R's online banking had been suspended so he wouldn't have been able to see the message. HSBC said its letter had said Mr R's online banking inbox would be '*read only*' but in fact he'd no longer had any access to it. HSBC apologised for getting that wrong.

Mr R referred his complaint to this service. He said HSBC has caused his insurance policies to be cancelled and his direct debits to fail. And his new bank couldn't offer him a credit card because HSBC had added a marker for an ongoing investigation. And he said HSBC had refused to explain what was going on. He also said he had a refund coming into his HSBC

account and HSBC couldn't shut the account with a positive balance. HSBC had asked him for his bank details but he'd refused to provide them.

One of our investigators looked into Mr R's complaint. In summary, she said HSBC had acted fairly because under the terms and conditions of the account it was entitled to close the account immediately without giving a reason. She added that:

- Banks and payment service providers are under numerous legal and regulatory obligations. They must follow those obligations without unduly inconveniencing their customers.
- Whilst she couldn't share them with Mr R, she'd carefully considered HSBC's reasons for closing Mr R's accounts immediately, and she found it had acted fairly.
- The terms and conditions of the account allowed HSBC to act as it did.
- A business can make a commercial decision to end an agreement with a customer without explanation, just as a customer can close an account with a bank and go elsewhere without explanation.
- HSBC said it had issued a cheque for the remaining balance of Mr R's account.

Mr R didn't agree with the investigator's view. In summary he said he had the right to know why HSBC unexpectedly decided to close his account and why it had placed a marker on him for restrictive lending which now prevented him getting credit at his new bank.

Our investigator added that legal and regulatory obligations didn't require banks to give a reason for closing an account.

Because no agreement could be reached, the complaint was passed to me to review afresh and make a decision.

I issued a provisional decision in which I said I didn't intend to uphold the complaint. I said I'd consider and further comments or evidence from either party. Neither Mr R nor HSBC provided anything further.

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.

Having done so, I'm not upholding the complaint. I'll explain why.

HSBC's terms and conditions allowed it to close Mr R's account without notice and without giving a reason. So I'm satisfied HSBC acted in line with its terms and conditions.

When applying its terms and conditions I'd still expect a business to act fairly and reasonably and not unduly inconvenience its customers. In this case, I've weighed up HSBC's reasons for closing Mr R's account in the way it did and I'm satisfied HSBC didn't act unfairly or unreasonably in applying its terms and conditions in the way it did. Having decided to exercise its right to close Mr R's account HSBC took reasonable steps to facilitate the return of his money. Where it made an error in communicating its actions, it has already apologised. And I think that's sufficient, particularly in light of the fact that the error itself didn't have any impact on Mr R because he'd already called HSBC and been told what was happening.

I do understand it's frustrating for Mr R not to be told the reasons for HSBC's actions. But, as our Investigator said, HSBC was under no obligation to give Mr R a reason. And I'm not able to share HSBC's reasons with Mr R either.

I've considered what Mr R said about his new bank refusing to lend to him because of a marker placed against his name by HSBC. The evidence I've seen doesn't show that HSBC did place a marker against Mr R's name. And I don't have a basis to conclude that any lack of access to credit experienced by Mr R is the result of any failing by HSBC. Because I haven't found that HSBC has acted wrongly, I also can't hold it accountable for any issues Mr R has experienced with his insurance policies or direct debits.

Overall, as I've said, I understand Mr R's frustration. But I can't say HSBC has acted unfairly or unreasonably in this instance. So I'm not minded to ask HSBC to do anything.

My final decision

For the reasons I've set out above, my final decision is that I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 26 July 2024.

Lucinda Puls
Ombudsman