

The complaint

G complain HSBC UK Bank Plc (“HSBC”) restricted their account following a review on two occasions without notice nor explanation. G add that their HSBC case manager gave them erroneous information which prevented them from providing the information it needed to satisfy the review leading to delays, distress, and inconvenience.

What happened

Around September 2022, HSBC initiated a ‘Safeguard’ review of G’s account activity. HSBC asked G to provide it with information about their account and business activity. G provided information to HSBC.

In December 2022, HSBC wrote to G and said that as it hasn’t received all the information it requires, and if it doesn’t get this from G, it will look to close their account in February 2023. HSBC sent a similar letter to G in January 2023. G continued to send information to HSBC.

In early February 2023, HSBC’s case manager asked G to provide more information in relation to specific transactions and for them to answer other related questions. G say they were not able to locate information related to three specific transactions HSBC wanted information about. But they later realised the dates provided by HSBC for these transactions were sent to them in an incorrect format. That is, the dates were presented in an American style format.

G say the case manager didn’t respond and went silent on them. G say they also made several calls to HSBC to resolve the issue and learnt the case manager that was previously dealing with the matter had moved to another department.

Later in February 2023, HSBC wrote to G to say it was giving them until March 2023 before withdrawing its services and closing their accounts. And that if it has asked G for more information as part of its Safeguard review, they should provide it. The letter also said G should contact their case manager if they have any questions. G say they were told on the calls to ignore the letters when they called HSBC.

On 17 March 2023, HSBC restricted G’s account. Unhappy, G complained. This block was removed on 28 April 2023. HSBC then sent G its final response to their complaint. In summary, the key points it made were:

- Its Safeguard policy is a regulatory requirement as it has a responsibility to help protect its customers’ and the integrity of the financial system. And in doing so, it will need to ask G for information about how they are using the account
- G has provided information to its case manager for further review, but the review has not been completed. So as the review wasn’t completed in line with the time specified in HSBC’s letters, the account had been temporarily restricted
- The account has now been reinstated but the review is still ongoing, and G will be notified, in due course, of the outcome

G referred their complaint to this service. HSBC continued its review with G and asked it for more information about its business and account activity.

On 23 August 2023, HSBC blocked G's account again. On 2 October 2023, HSBC offset around £38,500 from G's account against their BBL ("Business Bounce back Loan"). The remaining balance of around £95,000 was released to G later in October 2023. G's account was then closed by HSBC.

Our Investigator then looked into G's complaint. They recommended that it should be upheld in part. Some of their key findings were:

- HSBC can suspend an account whilst it carries out a review to meet its legal and regulatory obligations and it doesn't need to give an explanation. HSBC restricted G's account from 17 March 2023 until 28 April 2023 in line with these obligations. And it didn't cause any avoidable delay when doing so
- HSBC did provide G with American format dates which misled and confused them. HSBC made a mistake here. But this didn't lead to the account being restricted. So, even if G had been given the correct formatted dates and thereby the information HSBC required, it still wouldn't have prevented the account being restricted
- This mistake would have caused distress to G's director. But as G is a limited company, it is a separate legal entity to that of the director in their personal capacity. As G is the eligible complainant here, compensation can't be awarded to the director
- HSBC didn't do anything wrong when restricting G's account again in August 2023. But HSBC could have removed it sooner than it did - it's accepted there were delays due to its work volumes
- Based on the information available, HSBC should have returned G's funds to them on 7 September 2023. So HSBC should pay G 8% simple interest on the funds it held from 7 September 2023 until 2 October 2023 for being unfairly deprived of them

HSBC agreed with what our Investigator said. G didn't agree, and in short made the following points:

- HSBC froze the account a second time without any warning nor notification
- G had a BBL, and they were initially concerned with how the payments for it would be made, though HSBC later said it would take the payments from their account to prevent them being missed. But HSBC later took the outstanding BBL amount from their account without any discussion with G. The funds HSBC used were for G's suppliers
- In March 2023, the account block caused a loss of business and damage to client relations. So compensation should be awarded for the period this block was in place
- The time the director spent dealing with the matter should also be considered
- Had the original case manager not left the department, the events that otherwise unfolded would have been avoided. As a result, G's case wasn't looked at by HSBC for months causing severe delays and detriment to G
- Its unfair of HSBC to close G's account and use funds in it to offset against the BBL

In response, our Investigator said:

- The had considered the second restriction and said HSBC should pay interest due to delays it caused in returning the funds
- Any complaint about the BBL will need to be dealt with as a separate complaint, as HSBC need a chance to respond to it before this service can get involved
- As HSBC didn't do anything wrong in restricting G's account the first time – in March 2023 – they can't consider the impact this had on them and their business
- As G, as a separate legal entity, is the eligible complainant we can't consider any personal impact to their director personally
- G's account would have been restricted in the way it was regardless of the case manager moving department
- G needs to complain to HSBC first about the account closure and give it an opportunity to investigate and respond before this service can get involved

As there is no agreement, this complaint has now been passed to me to decide.

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've decided to uphold this complaint in part. I'll explain why.

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 focussed 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. I do stress however that I've considered everything G and HSBC have said before reaching my decision.

It's important to note, my decision does not deal with G's complaint points about their BBL being offset and any payment issues. No does it deal with the account closure.

Financial businesses in the UK, like HSBC, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means they need to restrict, or in some cases go as far as closing, customers' accounts.

These obligations generally cover the entire period of its customer relationship – from application to eventually the end of the relationship. This includes Know Your Customer (KYC) checks and/or Customer Due Diligence (CDD). It's worth noting these checks include not just the verification of a customer's identity, but also establishing the purpose and intended nature of the business relationship and origin of funds. HSBC's 'Safeguard' reviews fall under these obligations.

First restriction

HSBC restricted G's account in March 2023. It had initiated a safeguard review in September 2022 and had been asking G for information which it was providing. HSBC has sent me an explanation and supporting evidence for why it carried out this review and applied the restriction.

Having carefully considered this, I'm satisfied HSBC was following its obligations when reviewing and later restricting the account. The account was unblocked in April 2023, and I'm satisfied that HSBC didn't cause any undue delay here – so I don't need to consider any compensation for G being deprived of their funds longer than they should have.

American date format

HSBC's case manager who was initially leading the review asked G for information which included specific details about a series of transactions. G couldn't locate three of these until much later when it discovered the date format it had been given for these was in an American format. This caused delay in G providing this information.

HSBC accept it made an error here. G say that this error led to its account being restricted and the financial loss and reputational damage it suffered as a result. G also say this inconvenienced them, and the matter also caused distress to its director.

Firstly, from the information HSBC has provided me, I'm satisfied that its decision to restrict the account wasn't based on the delay in getting information about the three payments. In other words, I'm persuaded that HSBC would have taken the action to restrict the account regardless of this error.

As I've already said, HSBC did nothing wrong in reviewing and restricting the account. Because of this I don't think it needs to pay any compensation to G. I note G argue that having to look into and chase up HSBC, especially as the case manager had moved department, was poor customer service and caused their director distress and inconvenience.

But I can only award such compensation to the eligible complainant. And that is G, a separate legal entity to the director. I've considered however that G may have been inconvenienced given its director has had to spend time away from running the business in sorting this out. But given the restriction would've been placed regardless of this issue, I don't think compensation for inconvenience is warranted.

Second restriction

Following further investigation, HSBC decided to restrict G's account again in August 2023. HSBC has also explained why it took this action and sent me supporting evidence to consider. Having considered this, I'm satisfied it was acting in line with its obligations when doing so.

I know G isn't happy that they weren't given any notice of this, and that they haven't been given a detailed explanation for either of the two restrictions. But HSBC is under no obligation to give any such notification or explanation. 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 we consider should be kept confidential.

From the information I've seen, HSBC should have returned G's funds after deciding to close the account on 7 September 2023. But it didn't do so until 2 October 2023. Because of this I agree it should pay G 8% simple interest on the funds it held from 7 September 2023 until 2 October 2023 for being unfairly deprived of them.

I am not considering HSBC using G's funds to offset against the BBL they held with it in this complaint. So, HSBC would need to pay this interest only against the funds it's returned.

Putting things right

To put things right, HSBC should pay 8% simple interest on the funds it has already returned to G from 7 September 2023 up until 2 October 2023*

*If HSBC considers it's required by HM Revenue & Customs to deduct tax from that interest, it should tell G how much it's taken off. It should also give G a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons above, I uphold this complaint in part. HSBC UK Bank Plc must now put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask G to accept or reject my decision before 11 April 2024.

Ketan Nagla
Ombudsman