

The complaint

Miss O complains that HSBC UK Bank Plc blocked and closed her accounts without providing an explanation. And took too long to release her closing balances. She wants HSBC to reopen her accounts and pay her compensation for the trouble and upset she suffered as a result of her accounts being closed.

What happened

The detailed background of this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Miss O had a basic current bank account and a savings account with HSBC.

In September 2022, HSBC reviewed Miss O's account after two payments were made into Miss O's account, from an individual I will refer to as L.

Miss O contacted HSBC to find out why she couldn't access her accounts. In response HSBC asked her some questions about the payments she'd received from L. And it asked her to provide proof of her entitlement to the funds. In October 2022, Miss O told HSBC that L was a business associate and friend. She said that the two payments were loans and that the transfer paperwork was enough on its own to show she was entitled to the money.

HSBC reviewed what Miss O had said about the payments. Following its review, HSBC decided to close Miss O's accounts. The bank wrote to Miss O in November 2022 to inform her that she'd need to make alternative banking arrangements. Miss O's accounts remained blocked until they closed. HSBC released Miss O's closing balances in September 2023.

Miss O wasn't happy to learn that HSBC no longer wanted her as customer, and she asked HSBC to explain why it was closing her accounts. HSBC said it wasn't willing to reopen Miss O's accounts and had closed them in line with the terms and conditions. HSBC also said that it wasn't obliged to provide Miss O with the reasons behind its decision.

Miss O complained to HSBC. In response, HSBC said it hadn't done anything wrong and explained that it had reviewed and closed Miss O's accounts in line with the terms and conditions. And after completing a review of Miss O's accounts it had decided to close them. Miss O was very upset by HSBC's decision. She said she can't think of any reason why the bank would want to close her accounts. She pointed out that she had received similar payments previously so can't understand why the bank singled out the ones she received from L. She suspects HSBC are discriminating against her on the basis of her nationality, because the source of funds was Nigerian.

Miss O brought her complaint to this service. She told us that the whole experience had been upsetting and stressful. She explained that she had to spend time trying to sort things out with HSBC and rearranging her direct debits. She wants HSBC to explain why it closed her accounts and pay her compensation for the stress she has been caused.

One of our investigators reviewed the complaint. She thought HSBC hadn't done anything wrong when it had reviewed and closed Miss O's accounts. She said they'd acted in line with the terms and conditions of the account. And relevant regulations. She explained that HSBC didn't have to provide Miss O with the reasons that sat behind its decision to close the accounts. However, she said that HSBC had taken too long to release Miss O's funds back to her. So, she said HSBC should pay her £150 compensation and interest on her balances for loss of use of the funds in her accounts.

HSBC agreed. Miss O disagreed. She wants to know why HSBC closed her accounts. She maintains that HSBC discriminated against her and its decision to close her accounts was arbitrary. She says HSBC held onto her funds for far too long and wants compensation for the stress and anxiety she was caused.

As no agreement could be reached the matter has come 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.

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 Miss O fairly. So, I'm persuaded I should take it into account when deciding the outcome of the complaint.

Banks have important legal and regulatory obligations they must meet when providing accounts to customers. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime. It's common industry practice for firms to conduct a review on a customer and/or the activity on an account and there are a number of reasons that may prompt a review. The terms of Miss O's accounts also permit HSBC to review an account at any time. Following a review, banks sometimes decide to close accounts. And that's what happened here.

HSBC isn't obliged to reveal the reason(s) for reviewing Miss O's accounts. But I've considered the basis for the review, including the information HSBC has provided, which I find was legitimate and in line with its legal and regulatory obligations. So, whilst I accept Miss O was upset to learn her accounts had been blocked and reviewed, I can't say HSBC has done anything wrong when it decided to review Miss O's accounts and asked her to provide information about the money she had received from L.

Miss O's accounts remained blocked until they were closed in November 2022. But HSBC didn't release Miss O's closing balances of just over £1,000 until September 2023. From looking at the timeline of events, I can see that HSBC should have released Miss O's sooner than it did – it appears HSBC had completed its enquiries by early December 2022. HSBC hasn't explained why it didn't release Miss O's funds on this date. So, I'm satisfied HSBC has caused unnecessary delays in releasing Miss O's funds. Because of this I think HSBC should pay Miss O 8% simple interest on the sum of her accounts for loss of use of her funds during the time her account was blocked between 7 December 2022 and 4 September 2023.

Based on the evidence I've seen I think it's fair to say the delays caused by HSBC in releasing the money in her accounts caused Miss O worry and upset. And I agree some compensation is appropriate for this. I say this because Miss O had to spend time contacting HSBC and she had to wait nearly 12 months for HSBC to release her funds. So, I can appreciate this would've been inconvenient and upsetting for her. And it's only right that HSBC recognises this. However, I'm satisfied that £150 is a fair amount of compensation and proportionate to the trouble and upset Miss O was caused. So, while Miss O may disagree with me, I'm satisfied that the compensation recommended by the investigator recognises the impact HSBC's actions had in the overall circumstances of this complaint. So, I won't be directing HSBC to pay any more.

I've next gone on to consider whether HSBC acted fairly when it closed Miss O's accounts. HSBC is entitled to end their business relationship with a customer, as long as this is done fairly, doesn't breach law or regulations and is in keeping with the terms and conditions. I should also add that each financial institution has its own criteria and risk assessment for deciding whether to continue providing accounts and providing an account to a customer is a commercial decision that a financial institution is entitled to take. That's because it has the commercial freedom to decide who it wants as a customer. And unless there's a good reason to do so, this service won't usually say that a bank must keep a customer. But they shouldn't close an account without proper reason, for instance of unfair bias or unlawful discrimination. And they must treat new and existing customers fairly.

Miss O had a basic bank account with HSBC. These types of current account are intended for people who don't have and don't qualify for standard current accounts. When closing a basic account, along with the terms and conditions of the account, HSBC also had to consider the provisions of the Payment Accounts Regulations 2015 (PAR's 2015). Amongst other things they set out when an account provider can close a basic bank account. Closure is only permitted in certain circumstances – one of them involves the conduct of the account and the way it is being run. Another reason is if the consumer has access to another payment account in the United Kingdom which allows the consumer to make use of services offered by a basic bank account and was opened after the payment account with basic features.

But the PARs 2015 form only part of a much broader regulatory landscape which firms like HSBC need to consider when making decisions in relation to accounts, so I have not considered them in isolation. As Miss O's accounts were blocked until they were closed, I consider HSBC closed them immediately. HSBC has provided some further details of its decision making process, I'm sorry but I can't share this information with Miss O due to its commercial sensitivity. But I've seen nothing to suggest HSBC's decision around closing Miss O'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 Miss O's accounts and not telling her why. So, I don't find HSBC treated Miss O unfairly when it closed her accounts. And I won't be asking HSBC to reopen them.

Miss O says that she is a victim of discrimination by HSBC. She believes HSBC targeted her accounts on the grounds of her nationality. While I can appreciate this is her perspective, it is not my role to decide whether discrimination has taken place – only the courts have the power to decide this. I have, however, considered the relevant law in relation to what Miss O has said when deciding what I think is the fair and reasonable outcome. Part of this has meant considering the provisions of The Equality Act 2010 (The Act). And after looking at all the evidence, I've not seen anything to suggest that this was the case. So, I haven't found that HSBC decided to close the accounts for an improper reason.

While I appreciate how HSBC closing her accounts made Miss O feel and her perspective on why HSBC took the actions it has, I have to consider if other customers in similar situations would have been treated the same way. Having looked at all the evidence, I haven't seen anything to show that HSBC would have treated another customer with similar circumstances any differently than Miss O. So, I can't say HSBC treated Miss O unfairly because of her nationality.

I understand Miss O wants HSBC to explain the reason it closed her accounts. It can't be pleasant being told you are no longer wanted as a customer. But HSBC is under no obligation to tell Miss O the reasons it no longer wants her as a customer as much as she'd like to know. So, I can't say it's done anything wrong by not giving Miss O this information. And it wouldn't be appropriate for me to require it do so.

In summary, I'm satisfied that Miss O has been caused trouble and upset when she wasn't able to access her funds held in her accounts for a number of months. I also appreciate it must have been a worrying and frustrating time for her. So, I realise she will be disappointed by my decision. But having looked at all the evidence and circumstances of this complaint, I haven't found grounds to increase the level of compensation. And I'm satisfied that £150 compensation along with 8% interest on her account balances is fair and reasonable. So, I won't be telling HSBC to do anything else to resolve this complaint.

My final decision

For the reasons I've explained, final decision is that I partly uphold this complaint. To put things right HSBC UK Bank plc should:

- Pay Miss O simple interest at the rate of 8% on her closing balances from 7 December 2022 until the 4 September 2023.
- Pay Miss O an additional £150 for the trouble and upset caused by this matter

HM Revenue & Customs requires HSBC UK Bank plc to withhold income tax from the above-mentioned interest. HSBC should give Miss O a certificate showing how much is taken off if she asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss O to accept or reject my decision before 25 March 2024.

Sharon Kerrison
Ombudsman