

The complaint

Mr A complains that HSBC UK Bank Plc charged an interest penalty to his fixed rate saver account when he withdrew the funds early.

What happened

Mr A opened a one-year fixed rate saver account in February 2023 with a deposit of £402,000.

In August 2023, six months before the account was due to mature, Mr A contacted HSBC to withdraw the funds. HSBC initially said the terms and conditions of the account didn't permit early withdrawal.

But after Mr A explained the reason why he needed to funds – an emergency event had occurred in his home, HSBC agreed to allow Mr A access to the funds due to the exceptional circumstances. But Mr A complained to HSBC when it charged his account with a 90-day early withdrawal interest penalty of £3,469.31.

HSBC didn't uphold the complaint as it didn't think it had done anything wrong. But as a gesture of goodwill, it refunded Mr A with 50% of the penalty charge - £1,735. Mr A remained unhappy, and he referred the complaint to this service. In doing so, he also said HSBC hadn't applied the correct interest rate to his account.

One of our investigators looked into the matter, but she thought HSBC had treated Mr A fairly in refunding 50% of the interest penalty charge and she thought HSBC had applied the correct interest to Mr A's account during the months it had been open.

Mr A asked for his complaint to be reviewed, so it has been passed to me to reach a 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.

I can see that Mr A feels the investigator has taken HSBC's side. So, I'd like to reassure him that I have considered everything that he has said and provided as well as the information received from HSBC.

I also appreciate that Mr A only needed access to his funds in the account before the maturity date due to an emergency that occurred in his home. But I can only uphold Mr A's complaint if HSBC has done something wrong or treated him unfairly, and I don't find that it did. I know Mr A will be disappointed, so I'll explain why.

The terms and conditions of the one-year fixed rate account - which Mr A would have agreed to when he opened the account, say: *'Deposits of GBP50,000 or more: Customers can't*

close the product or withdraw any money until the end of the fixed rate period (except in exceptional circumstances)'.

I don't find it unusual that HSBC's fixed rate account has such a term as generally businesses offer better rates of interest in return for the customer investing their money for a set period of time. Overall, I'm persuaded that when Mr A opened the account, he should have reasonably been aware that he was investing his funds for a full one-year term and, in normal circumstances, he wouldn't have been able to access the funds in the account until the account matured in February 2024.

But the terms of the account say that access to the funds can be obtained if there are exceptional circumstances. And here HSBC accepted that Mr A's circumstances were exceptional, and it allowed him to access the funds in the account before maturity. I find this was the right thing to do.

However, I'm persuaded that the terms of Mr A's account allow HSBC to charge a penalty when the fixed rate account is accessed early. The terms set out that a penalty of 90-days interest is applicable in these circumstances. So, I don't think HSBC did anything wrong when it charged Mr A 90-days interest - £3,469.31. Ultimately, HSBC agreed to refund half of the charge. As I've found HSBC was entitled to charge Mr A the full 90-days interest penalty, I find that in refunding £1,735 as a gesture of goodwill it has treated Mr A fairly.

Mr A has suggested that HSBC had applied an incorrect Interest rate to his account while it was active. He has referred to an interest rate of 5.52% but says he only received 1%. Our investigator said that HSBC applied interest of around 5% - this is incorrect. HSBC has provided documentary evidence of the interest rate that was applicable to Mr A's account, and I'm satisfied this shows that when the account was opened the interest rate was 3.5%.

I appreciate that generally interest rates have increased over the last 12 months, so I don't find it unusual that Mr A has more recently found accounts offering 5.52%. But I'm satisfied Mr A's account was a fixed rate account. This means the interest rate stays the same throughout the term irrespective of movements in the interest rate market.

HSBC has also provided evidence that Mr A's account received monthly interest for the six months the account was open totalling £7,131.38. I'm satisfied HSBC applied the correct interest rate of 3.5% to Mr A's account and the account received the correct amount of interest for the six months the account was open less the penalty charge which I also find was calculated at 3.5%.

Overall, based on everything I've seen and been provided with, I don't find that HSBC has done anything wrong or treated Mr A unfairly.

My final decision

For the reasons given above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 9 April 2024.

Sandra Greene

Ombudsman