

The complaint

Mr A complains that HSBC UK Plc gave him notice that it intended to close his personal accounts, having previously restricted them. It then decided that it would not close them after all.

What happened

Mr A had a current account and a savings account with HSBC. He also controls a company which banked with HSBC, and on behalf of which he has brought a separate complaint.

In January 2023 HSBC wrote to Mr A to say that it was reviewing his accounts and that in the meantime restrictions had been placed on them by the bank's sanctions team.

On 28 February 2023 HSBC wrote to Mr A to tell him that it would be closing his accounts with effect from 3 May 2023. Mr A knew that he would be overseas from 19 March until 7 May 2023, so he arranged to open new accounts with a different provider before he left the UK.

On returning to the UK, Mr A found a further letter from HSBC, dated 17 March 2023. It said that, following a further review, the bank had decided that it would not be closing his accounts after all. Restrictions on the accounts had been removed on 6 March 2023.

Mr A referred the matter to this service, where one of our investigators considered what had happened. Whilst she was satisfied that HSBC had acted reasonably in carrying out a review – and restricting Mr A's account while it did so – she thought that HSBC should have been able to complete the review sooner than it had. She recommended that HSBC pay Mr A £250 in recognition of the distress he had suffered and the inconvenience to which he had been put, together with interest on the account balances to reflect the fact that Mr A had been deprived of those funds.

HSBC accepted the investigator's recommendation that HSBC pay Mr A £250 by way of compensation, but not that it pay interest on the account balances. It noted that direct debits and standing orders had been paid from the current account and that any interest due had also been credited.

Mr A did not accept the investigator's recommendation, and so the case has been passed to me for further consideration.

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 agree with the investigator that HSBC acted reasonably in deciding to review Mr A's accounts and in restricting them while it did so. The bank has disclosed its reasons to this service, but has asked that we keep those reasons confidential. Our rules allow both complainants and respondents to submit evidence in confidence, but ultimately it is for us to decide whether or not it should be disclosed. In this case, I am satisfied that some parts of the bank's evidence should not be disclosed to Mr A.

HSBC was within its rights to give Mr A notice that it intended to close his accounts. Because of his own travel arrangements, Mr A quite reasonably took the view that he needed to act promptly to move the accounts. It is unfortunate that, in the event, that was not necessary, and I have taken that into account in assessing what's fair and reasonable. I agree with the investigator that, had the review been completed sooner, the situation might not have arisen.

The investigator recommended a payment of £250 in recognition of the distress and inconvenience resulting from its actions. I think that is fair in the circumstances, and I note that the bank agreed to it.

As far as interest is concerned, this service will routinely make an award of interest where someone is wrongly deprived of the use of funds. The rate of 8% a year which the investigator recommended is in line with the rate which is usually applied to court judgments and represents a typical cost of replacing funds – in effect, a borrowing rate, not a savings rate. I do not however think that interest is appropriate in this case. I do not believe that Mr A can properly said to have been deprived of funds. Although his accounts were restricted, standing orders and direct debits were still paid, so he did not have to source funds from elsewhere. This was not a case where HSBC was holding money to which Mr A was entitled, since it was still being used to his benefit.

Putting things right

As I have said, HSBC has agreed to the investigator's recommendation in respect of the £250 payment. I will however make an award in that sum, so that Mr A can enforce it, should that be necessary.

My final decision

For these reasons, my final decision is that, to resolve Mr A's complaint in full, HSBC UK Bank Plc should pay him £250.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 12 September 2024.

Mike Ingram
Ombudsman