

The complaint

G is a limited company, and it brings this complaint through its director, whom I'll refer to as "Mr A". G complains that HSBC UK Bank Plc closed its accounts without good reason. Further, it gave notice of closure by post when it knew that Mr A was not in the UK and was therefore unable to deal with the closure.

What happened

Mr A and G have held accounts with HSBC for many years. At the relevant time, G held accounts with balances totalling around £40,000.

Mr G is a UK resident, but spends a lot of time overseas.

On 13 December 2023 HSBC wrote to G at Mr A's address in the UK. Its letter said that, following a review of G's accounts, it would be closing them on 16 February 2023. The letter invited Mr A to contact the bank if he wanted to close the accounts earlier.

Mr A says that he was overseas when the closure notice was sent. He did not therefore see it until after he returned to the UK on 12 February 2023. When he contacted HSBC to discuss the closure and to arrange for payment of funds from the accounts, he was told they were restricted and that G could not arrange a transfer of those funds. HSBC closed the accounts on 16 February 2023 and G received cheques representing the account balances on 6 and 8 March 2023.

G complained about the decision to close the accounts soon after Mr A returned to the UK, but before funds had been returned. HSBC said that its decision had been taken in line with the account terms and conditions.

G referred the matter to this service, where one of our investigators considered what had happened. She did not recommend however that the complaint be upheld. G did not accept the investigator's assessment and asked that an ombudsman review the case.

I did that and issued a provisional decision in which I said I was minded to uphold the complaint and make an award of £250. I set out my reasons below:

I'll deal first with HSBC's decision to close G's accounts. It is generally for banks to decide whether to provide, or to continue to provide, account services to any particular customer. They can exercise their commercial discretion in such matters and, as long as that discretion is exercised legitimately, this service won't usually intervene. I have considered that issue here, and am satisfied that HSBC's decision to close Mr G's accounts was a legitimate one. HSBC did not have to tell Mr A exactly why it had decided to close G's accounts.

I turn then to the manner of closure. HSBC said that it sent the closure notice by post, in line with its usual practice and policy. Mr A says that was not sufficient, since the bank knew he would not receive that notice, as he was not in the UK. (G is a small company without additional staff; Mr A is, in effect, a sole trader.)

The account terms said, at Part 2, clause 25, that HSBC could close the accounts on giving at least two months' notice. Part 1, clause 2 of the terms explained how the bank could give notice. It included:

"We'll contact you and give notices to you, or anyone you've said we can contact, using the postal address, email address or phone number we have for this purpose. We may also do so through our online banking services..."

The account terms therefore provided the bank with a range of options for giving notice, but I do not believe it can properly be said that the terms required it to use more than one. Writing to the postal address linked to the account (that is, Mr A's home address) was sufficient to meet the requirements of the account terms. Having given notice in line with the account terms, HSBC was within its rights to close the accounts on the expiry of that notice period.

Mr A says however that HSBC knew, or should have known, that he was not in the UK, and that it should therefore have used a different, or additional, means of communication.

I have considered carefully whether HSBC did in fact know that Mr A was not in the UK during the notice period. Mr A has provided a copy of an email from HSBC to his wife dated 5 January 2023. It says that the bank needs to update her details and invites her to make contact. Mr A has also provided a copy of the reply he sent by email to the bank on 10 January 2023. That email included:

"I have just been called by your colleague in reply to my own situation. My wife is [XY], to whom you addressed your message below.

...

... We are both currently in [country A] but will leave [country A] at the end of this month and travel through another country to [country B].

The bank therefore had sufficient information by no later than 10 January 2023 that Mr A was not in the UK. I think it likely that it knew that earlier, since it contacted his wife while they were both abroad. There was no indication in Mr A's email of 10 January 2023 that he had been away when the closure notice was sent. However, the bank did know that it had not received any response to its closure notice.

In my view, HSBC had enough information at this point to realise that there was a real possibility that Mr A was not aware of the closure notice. Given that it had more than one means of communication with Mr A, I think it would have been good practice to use a different method to contact him to ensure that he was aware that it had given notice of closure.

I have therefore considered what the position would have been if Mr A had found out on or soon after 10 January 2023 that G's accounts were to be closed.

I note that G's accounts were not restricted until very shortly before closure – and the restrictions were put in place to facilitate closure. It does not appear that G would have been able to make a direct transfer of funds to itself, since its only accounts were those it held with HSBC. But it might have been possible to transfer funds to a third party, such as Mr A or his wife.

Even if that were not possible, however, Mr A could have instructed HSBC to close the accounts and to send cheques for the balances. And he could have taken steps towards opening a new account for G with a different provider – although it's unlikely that process could have been completed until he returned to the UK.

In the event, by the time Mr A knew that HSBC was closing G's accounts, the actual closure process had started. That meant that the accounts were restricted and that there would be a delay until cheques could be processed. That created additional inconvenience and it meant that Mr A had to spend more time than would otherwise have been the case dealing with the account closure. I think that G should receive some compensation for that. Of course, Mr A will have suffered inconvenience as well, but I cannot make an award in his favour in the context of G's complaint.

G would have suffered some inconvenience in any event, so I have had to consider the extent to which that was increased because HSBC did not ensure that Mr A knew about the proposed closure. In my view, an appropriate level of compensation is £250, and I intend to make an award in that sum.

HSBC accepted my provisional decision but Mr A did not. He said, in summary:

- A fine of £250 would not incentivise HSBC to improve its process for other customers.
- I should have taken into account the fact that, due to the restrictions on the account, it was effectively closed before the actual closure date. He was therefore unable to transfer funds from G's account on 15 February 2023, the day before closure.

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, however, I have not changed my view about how G's complaint should be resolved from that which I set out in my provisional decision. I will however comment on Mr A's further points in response to it.

My proposed award is not intended to be a fine, nor is intended otherwise to punish HSBC. The role of the Financial Ombudsman Service is to resolve individual complaints, not to set rules or standards. That is the role of the regulator, the Financial Conduct Authority. That said, financial businesses should have processes in place to enable them to identify issues arising from complaints and to take appropriate steps in response. But my award is intended to compensate G in the particular circumstances of its complaint, not to set more general principles.

I note what Mr A has said about the formal date of closure and the impact of the account restrictions on his ability to act the previous day. I discussed that in my provisional decision, when I said that the restrictions were to enable HSBC to close the account. That is, I have already taken Mr A's point into account.

Mr A has asked that I make a direction to prevent that particular issue arising for other customers. In common with my observations on Mr A's first point, however, that is – if anything – a matter for the regulator. I do not have any power to tell HSBC to change its processes generally; I can only make an award in order to resolve an individual complaint.

Putting things right

HSBC has said that it accepts my provisional findings. I will however make a formal award, so that G can enforce it, should that be necessary.

My final decision

For these reasons, my final decision is that, to resolve G's complaint in full, HSBC UK Bank

Plc should pay it £250.

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

Mike Ingram
Ombudsman