

The complaint

P, a limited company, complains that HSBC Bank UK PLC (HSBC) recalled its Bounce Back Loan (BBL), used part of the account funds to pay off the BBL (and withheld the remaining balance), and closed its bank account.

P is represented by its director, Mr N.

What happened

On 18 April 2023, HSBC blocked P's account while it carried out a review. When it completed its review, it decided it no longer wanted to offer banking services to P, so it issued a letter to P dated 17 May 2023 confirming its decision to end its relationship. It said P's account was suspended and would remain so while HSBC made final arrangements to complete the closure.

It then wrote to P again on 25 July 2023, regarding P's BBL. HSBC said it had decided to terminate the BBL on the back of its decision to close P's account. It said the full outstanding balance of £31,767.23 was payable immediately and that it intended to use its contractual right to settle the BBL debt using the funds in P's account.

Mr N complained to HSBC, but it didn't change its mind, so he brought P's complaint to our service.

Our Investigator upheld P's complaint in part. She was satisfied HSBC was entitled to block and close P's account in the manner it did, but she didn't think it had justified its decision to terminate P's BBL, and she didn't think it had released the balance of P's account funds promptly. To resolve the complaint, she said HSBC should reinstate the BBL on its original terms, return the £31,767.23 it used to offset against the debt and pay interest on the funds (£168,571.84) HSBC delayed releasing to P.

Mr N accepted our Investigator's findings, but HSBC didn't. It remained of the view it had acted in line with its terms of business and that it was entitled to recall the BBL. Because no agreement could be reached, the matter came to me to issue 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.

On 6 November 2024, I issued a provisional decision. In it, I said:

"Account closure

A bank is entitled to close an account with a customer, so long as it does so in a way that complies with the terms and conditions of the customer's account.

In HSBC's notice to close letter, it referred to section 26 of its account terms and conditions,

which says HSBC can close P's account by giving two months' notice or immediately and without notice in certain circumstances, as it did here.

With that being the case, I've looked at the evidence HSBC provided our service to determine whether or not it acted fairly when it closed P's account. And having done so, I'm satisfied that it followed the correct procedure in accordance with its terms of business and that it was entitled to close P's account in the manner it did.

Mr N said he received an earlier letter telling him P's account would be closed, but that he received it a month after it was dated. However, I can see that the letter dated 17 May 2023 was correctly addressed, and I'm satisfied HSBC issued the correct notice. And in any event, I'm satisfied HSBC was entitled to close P's account without notice, so I see no detriment in him either not receiving the letter or receiving it late.

Account block

All banks in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. That sometimes means they need to restrict customers' accounts while they carry out a review.

So, in order to make an award in favour of P, I would need to be satisfied that HSBC acted unfairly or took actions it wasn't entitled to take. Having looked at the evidence it relied on in reaching its decision, I'm satisfied HSBC acted in line with its legal and regulatory obligations when it blocked P's account. And that it was entitled to do so under the account terms and conditions that governed the relationship between HSBC and P.

Because I'm satisfied HSBC was entitled to block P's account, I won't ask it to compensate P for doing so, given it did nothing wrong. And there was no obligation on HSBC to give Mr N notice of the block, so while I understand why he wanted advanced warning, I wouldn't expect HSBC to provide the same.

BBL

HSBC told our service it was entitled to withdraw the BBL in accordance with the terms and conditions of the loan and of P's account. And it set out the terms it relied on in doing so. It also set out the extent of the review it carried out in determining whether it should recall the loan. I accept the terms of the BBL entitle HSBC to recall the loan in certain circumstances, but our service would expect to see justification for a recall to ensure HSBC has treated its customer reasonably, so HSBC's discretion in this regard is not unfettered.

The conditions, rules and requirements that apply to BBLs are different to those that apply to current accounts. And our service's approach to termination of each of these products is distinct, not least because a bank account can be replaced relatively easily. Whereas the same cannot be said of a credit facility, particularly a BBL. And the consequences of terminating a BBL are usually more severe than the consequences of terminating a current account, in no small part because BBLs were incepted to help businesses that might be struggling to operate successfully throughout COVID.

With that in mind, I've looked at the evidence HSBC sent our service, to understand why it recalled the loan, and whether or not it treated P fairly in doing so. And having done so, I'm not persuaded it was entitled to call in the BBL. I'll explain why.

Because HSBC isn't obliged to disclose the reasons for its decision to P, I won't go into detail about the evidence and rationale HSBC has submitted. However, while I can see HSBC had concerns about retaining P as a customer that were born out of a wider review, I

haven't seen evidence to demonstrate its review identified sufficient grounds to justify withdrawing the BBL.

I should say that I'm satisfied HSBC's intentions in commencing its review and recalling the BBL were reasonable, and I understand why it decided to do so. And it is not for me to set out exactly what steps HSBC should follow before terminating a BBL: that is a matter for HSBC to decide and those steps will vary from case to case. So, to be clear, I have decided this complaint based on the facts particular to this case and what I consider to be fair and reasonable.

With that being said, HSBC hasn't demonstrated a level of concern that would justify recalling a BBL in this instance. It has said why it doesn't want P as a customer, but beyond explaining the reasons for its concerns, it hasn't provided sufficient evidence to support those concerns, nor to demonstrate why they are reasonable grounds for recalling a BBL in these circumstances. And the bare concerns HSBC had would require further corroboration in order to justify withdrawing P's BBL.

As I've said above, there is a higher bar for recalling a BBL than there is for closing an account with notice and, based on what HSBC has told our service, it appears that HSBC applied the same rationale for exiting P as it did for calling in the BBL. To be clear, I'm not denying HSBC's right to recall a BBL in certain circumstances, and had HSBC evidenced other concerns, or carried out further investigations that resulted in additional evidence coming to light, I may have reached a different outcome.

I did give HSBC an opportunity to provide further evidence after our Investigator issued her findings, and I asked Mr N to provide further information as well. The information HSBC provided didn't put any significant meat on the bones of what it had already told me. And Mr N provided evidence pertaining to his sick relative, who I can see was receiving medical treatment.

But as I've said above, I have to assess each case on its own merits, and on this occasion, I'm not persuaded there were further reasons beyond what HSBC has told our service, and I'm not persuaded HSBC has done enough to demonstrate its actions were reasonable. And it hasn't demonstrated the level of exploration I would expect to see in order to justify such actions.

As to what HSBC should do to put things right, firstly it follows that it should reinstate the BBL and return the same to the position it was in at the date of the recall. The intention of this direction is to put P back in the position it would have been in, but for HSBC's error in recalling the BBL. So, HSBC should treat the BBL as if it were paused in April 2023, then unpaused when it is reinstated. It should of course confirm to P when it has reinstated the BBL, confirm the remaining payment terms and provide details of how P should make repayments, and give reasonable notice of when the repayments will recommence to allow P time to make arrangements to setup payments.

P should have the same number of repayments to make after the BBL is reinstated as it had at the time the BBL was called in. And those repayments should be the same amount as before. For example, if P had 10 monthly repayments to make at £1,000 each at the date the BBL was recalled, P will have to make 10 future monthly payments of £1,000. P shouldn't be put to any detriment as a result of this, so (while the following isn't an exhaustive list) HSBC must not treat any payments P would have made since April 2023 as missed payments (or register any credit markers in respect of payments that have fallen due since April 2023), it must return the account funds it used to pay down the BBL, it must not seek to offset any portion of that amount against the BBL without P's consent, and it mustn't charge additional interest, fees or charges that P wouldn't have incurred had HSBC not recalled the BBL in the

first place. And it must not deny P any PAYG options it would have been entitled to, had HSBC not defaulted the BBL.

Funds release

Our Investigator also found that HSBC had unreasonably delayed in releasing the balance of funds it didn't use to settle the BBL debt. She noted a cheque for the balance had been issued in August 2023, but wasn't satisfied the cheque was issued promptly.

Based on the information HSBC has submitted, I'm satisfied it was reasonable to withhold the account balance, pending its decision to close the account. But I haven't seen justification from HSBC as to why it continued to withhold P's funds after it issued its notice to close P's account on 17 May 2023.

Compensation

Mr N claimed various losses amounting to over £625,000, but most of that was simply expenses P would have incurred regardless of HSBC's actions. And he didn't provide evidence to support his claims either before or after our Investigator issued her findings. He did produce evidence to demonstrate he had incurred legal fees in challenging HSBC, but because our service is free to use, and because I've seen no good reason for Mr N to employ a law firm, I won't ask HSBC to reimburse those fees.

With that being said, Mr N did set out details of how losing access to the account funds impacted his ability to meet business expenses and I think it is self-evident that being denied access to an account balance of approximately £200,000 will have impacted P's operations and caused it difficulties. And I consider that (along with my other directions regarding compensation) paying simple interest at the rate of 8% for the period during which P was deprived of its funds puts P back in the financial position it would have been in, had HSBC not used P's account balance to pay off the BBL debt.

However, that interest only applies to the balance of £168,571.84 and not the £31,767.23 HSBC used to offset the BBL debt. P will have saved interest on that amount, and those funds will ultimately be used to pay off the loan. So, I don't consider P to have suffered a loss as a result of not having access to that part of the account balance.

All of which means that HSBC will have to pay P simple interest at the rate of 8% on the sum of £168,571.84 from 27 May 2023 until the date in August 2023 that it issued the cheque to P. And I'm satisfied that interest award sufficiently compensates P for its losses based on the evidence I've seen."

I gave both parties a final opportunity to present any further evidence or arguments, but HSBC replied saying it had nothing to add and Mr N replied accepting my provisional finding.

In light of the replies from the parties, it follows that my provisional findings remain unchanged.

My final decision

My final decision is that I uphold this complaint. To put things right, I require HSBC to:

1. Reinstate the BBL on the same terms that existed at the date the BBL was recalled;
2. Return the account funds (£31,767.23) that HSBC used to pay down the BBL to P; and
3. Pay P simple interest at the rate of 8% on the balance of £168,571.84, from 27 May

2023 until the date the cheque was issued to P.

Under the rules of the Financial Ombudsman Service, I'm required to ask P to accept or reject my decision before 19 December 2024.

Alex Brooke-Smith
Ombudsman