

The complaint

L complains HSBC UK Bank Plc (“HSBC”) restricted their accounts and caused substantive delay in returning their funds after closing them.

To put things right, L wants HSBC to pay it interest on the money that was withheld up until settlement.

What happened

In early 2020, HSBC initiated a ‘safeguard’ review of L’s accounts – this was effectively a Customer Due Diligence (CDD) and Know Your Customer (KYC) review HSBC has obligations to carry out.

HSBC then requested information from L as part of its review. In December 2020, January 2021 and February 2021, HSBC wrote to L saying that if it was not given the information it had requested, it would restrict and close the accounts in line with its terms and conditions.

In May 2021, HSBC restricted L’s accounts - these comprised of a sterling, US dollar and Euro account. A few days later HSBC issued a notice of closure. Unhappy with its actions, L complained. They also served HSBC with a notice to close its accounts. L says they did this on advice of their HSBC relationship manager so that they could retrieve the funds being withheld.

In July 2021, HSBC decided to bring its review and investigation to a close. In early August 2021, the funds in L’s US dollar account were transferred out to L’s nominated account. The remaining funds held in the Euro account were transferred to L’s nominated account in October 2021.

In its response of October 2021 to L’s complaint, and in summary, HSBC said:

- The accounts were inhibited as HSBC were complying with its obligations
- It was sorry L had been misadvised funds would be released within ten working days
- The review was completed in July 2021, but following multiple attempts to contact the director of L to verify the transfers, the closure team were unsuccessful in making contact causing unavoidable delays
- In September 2021, the closure team tried speaking to L’s director to verify the transfers but were later successful in doing so on 4 October 2021. Any funds held were then transferred out to L’s nominated external account

L says HSBC caused unnecessary delays in releasing the funds to another of its external accounts, which caused it financial and reputational loss as well as inconvenience. Unhappy with HSBC’s response, L referred their complaint to this service.

One of our Investigator’s then looked into L’s complaint. In summary, they found:

- HSBC had acted within its legal and regulatory obligations when it restricted L's accounts and withheld the funds in them
- After considering HSBC's reasons for restricting and withholding funds in the accounts, they found it had acted fairly and in line with the terms and conditions. And no unreasonable delays were caused by it
- HSBC acknowledge it had misadvised L of the timeframe for which would release the funds and rectified the error

L did not agree with what our Investigator said. They added HSBC could only freeze the funds for 30 days without explanation and asked for their complaint to be passed to an Ombudsmen.

L's complaint has now been passed 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.

Having done so, I've decided not to uphold L's complaint. I know this will disappoint them, so I'll explain why.

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything that L and HSBC have said before reaching my decision. It's important to note, my decision focuses on HSBC's actions in regard to L's accounts.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information HSBC has provided is information that we considered should be kept confidential.

Account review

Banks in the UK, like HSBC, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. HSBC is also required to carry out ongoing monitoring of an existing business relationship. That sometimes means HSBC needs to restrict, or in some cases go as far as closing, customers' accounts.

HSBC has legal and regulatory obligations which include KYC or CDD reviews. So I'm satisfied it hasn't done anything wrong in initiating such a review. The review of L's accounts started in 2020, and I've seen several letters from the point the review started until the accounts were restricted in May 2021.

I note these letters were sent periodically, and the key message was that L would need to provide HSBC with more information to satisfy its review. And that a failure to do so could

result in the restriction and closure of the accounts. HSBC warned L about this consequence several times over many months. So taking all of this into account, I'm satisfied that HSBC acted in line with its legal and regulatory obligations when reviewing L's accounts – and subsequently restricting them.

Funds release

This brings me onto the crux of L's complaint - that is, the money was withheld for an unreasonable time causing them substantive detriment. I'd like to assure L that I've carefully considered all their arguments in relation to this point. But given the evidence I've been given by HSBC, and in light of the concerns it had, I'm persuaded on balance that HSBC haven't acted improperly here.

I say that because I'm satisfied the review concluded at a reasonable point in July 2021 - given what HSBC were doing in relation to its investigation. Two to three weeks later the US dollar account funds were released. I don't think this was unreasonable.

The key issue then appears to be how long it took HSBC to release the funds to L from its Euro account. As HSBC brought to close its review in July 2021, there's an argument that releasing the funds in October later that year was unreasonable.

L says it chased its HSBC relationship manager every day for the funds to be released, and HSBC is only able to hold them for 30 days after restriction without giving a reason. But as I've already said, I'm satisfied the time it took HSBC to review the account whilst withholding the funds was fair given the obligations it must observe, and the investigation is what carrying out. So I don't think HSBC should have done anything different here.

I can also understand why L would like an explanation for why the review was carried out. I've already said HSBC has important regulatory and legal obligations it must follow which include a KYC or CDD review. I'm also not aware of any obligation under which I, or HSBC, have to explain what the reason was.

HSBC have sent me screenshots of its internal systems which show it was attempting to call the key contact at L to verify the Euro account funds release. I've seen evidence it was doing this through July, August and September 2021. And when the relevant team did manage to speak to L's director in late September 2021, the funds were released shortly after.

Given the value of the funds, and the concerns HSBC had which led to the review, I'm satisfied that validating and verifying the transfer was a reasonable process for it to follow. So I don't think HSBC has caused any avoidable or unreasonable delay in sending L its funds.

Account closures

HSBC is entitled to close an account just as a customer may close an account with a it. But before it closes an account, it must do so in a way, which complies with the terms and conditions of the account.

The terms and conditions of the account, which HSBC and L had to comply with, say that it could close the account by giving them at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

Having looked at the information given to me by HSBC, I'm satisfied it was entitled to close the accounts in the way that it has done.

Compensation and redress

L say this matter has caused them substantive financial and reputational loss. They also say it has caused significant disruption and inconvenience. I do appreciate HSBC's actions would've caused them difficulty. But having looked at what's happened in this particular case, I can see no basis on which I might make an award against HSBC given I don't think it failed to properly follow its own procedures, and it acted fairly by meeting its obligations.

So I'm not going to ask HSBC to compensate L for any loss or trouble this may have caused. I also think HSBC's apology when it misadvised L that the funds would be released in ten days and how it rectified this is sufficient.

My final decision

For the reasons above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 11 August 2023.

Ketan Nagla
Ombudsman