

The complaint

Mr H complains that HSBC UK Bank Plc blocked and closed his bank account. He also says that HSBC didn't treat him fairly when it asked him to repay his overdraft.

What happened

Mr H had an account with HSBC with an agreed overdraft of £1,000.

In February 2022, HSBC blocked and reviewed Mr H's account. At the time of the block the account was £565 overdrawn.

HSBC told Mr H that whilst his account was blocked, he could access his benefit and wages by going into a branch with identification, which Mr H did. HSBC also refunded Mr H £30 for a late payment charge he incurred due to the block preventing a direct debit being paid.

Following its review, on 7 April 2022, HSBC decided to close Mr H's account immediately and asked him to repay his overdraft within 7 days. HSBC wrote to Mr H again on 22 April 2022 and told Mr H that if he wasn't able to repay his overdraft by 10 May 2022, his account would be passed to its collections and recoveries team. The letter also said that if he had trouble repaying the full amount, he could contact HSBC who would work with him to come up with a suitable arrangement, based on his income and expenditure. Mr H repaid his overdraft on 11 May 2022. He said he had to take out another loan to clear his overdraft and he was relying on his overdraft to clear his energy bill arrears.

Mr H complained to HSBC. In response it said it hadn't done anything wrong when it reviewed and closed Mr H's account. It also said based on the terms and conditions of Mr H's account it was entitled to ask Mr H to repay his overdraft.

Unhappy with this response Mr H brought his complaint to our service where one of our investigator's looked into what had happened. Mr H said that HSBC hadn't treated him fairly when it blocked and closed his account. And said he'd been forced to take on more debt to repay his overdraft which led to him becoming insolvent. He also said his mental health had suffered due to HSBC's actions. So, he wants HSBC to pay him compensation.

The investigator said HSBC hadn't done anything wrong when it blocked Mr H's account. But she said HSBC should have given him 60 days' notice instead of closing his account immediately. She also said that there were delays in HSBC completing its review of the account. So, she said HSBC should pay Mr H £150 compensation for the trouble and upset this had caused him.

HSBC accepted what the investigator said. Mr H didn't think the compensation went far enough. He said he hadn't done anything that would have led the bank to close his account. He wants HSBC to pay him more compensation.

As no agreement could be reached the matter came to me to decide. I issued a provisional decision in which I said the following:

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. But I want to assure Mr H that I have considered everything that he and HSBC have submitted as part of this complaint.

Firstly, the investigator was right to point out that HSBC has important legal and regulatory obligations it must meet when providing accounts to customers. These obligations are ongoing, so do not only pertain to when an account is opened. To comply with its obligations HSBC may need to review an account and/or restrict its customer's access.

I've no doubt that not having a functioning bank account made things quite difficult for Mr H. He's said he had to rearrange his direct debits and was relying on using his overdraft to clear his gas and electricity arrears. So, I can understand why he found this experience with HSBC stressful and upsetting. But as I've explained, banks have a legal obligation to comply with various laws and regulations. Having looked at all the evidence, I'm satisfied that HSBC was complying with its obligations when it blocked Mr H's account. So, whilst I accept this caused Mr H inconvenience, I can't say HSBC treated him unfairly when it blocked his account. I've also kept in mind that Mr H was able to access his benefits payment in March 2022, by visiting a branch.

Mr H's account remained blocked until it was closed on 7 April 2022. But I don't consider that it would be right for me to conclude it shouldn't have taken in excess of any particular or specific timeframe. Because HSBC was entitled – as a matter of principle – to do what it did in order to comply with its legal and regulatory obligations.

I've looked at the timeline and can see that HSBC didn't cause any unnecessary delays and were trying to complete its enquiries as quickly as possible. I appreciate that HSBC's actions caused Mr H real inconvenience. But it wouldn't, however, be appropriate to make an award for compensation for that, since I don't believe that HSBC acted inappropriately in taking the actions that it did.

I then turn to the bank's decision to close Mr H's account. It's generally for banks to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a very good reason to do so, this service won't usually say that a bank must keep customer or require it to compensate a customer who has had their account closed.

At times, following a review, banks sometimes choose to end their relationship with customers. This can be due to a number of reasons and a bank isn't obliged to give a reason to the customer. Just the same as if Mr H decided to stop banking with HSBC, he wouldn't have to explain why. HSBC have relied on the terms and conditions when closing Mr H's account. The terms explain that the bank can close the account immediately and by providing two months' notice. In this case HSBC closed Mr H's account without notice. In my view that was reasonable given the banks concerns about how Mr H was operating his account. So, it was entitled to close the account as it has already done. And I'm satisfied that it did so in line with the account terms and relevant regulations. So, I'm not persuaded HSBC treated Mr H unfairly when they closed his account immediately.

When HSBC closed Mr H's account the account was overdrawn by £565. Mr H says HSBC treated him unfairly by asking him to repay his overdraft immediately and has said that he had to take on other debt to repay it. He's also said that having to do so put him in financial difficulties with his energy bills as he was hoping to use his overdraft to clear his arrears.

An overdraft is a debt, but it doesn't operate in the same way as a loan or credit card for example, it doesn't require regular fixed or minimum payments. Mr H's overdraft was, as is common, repayable on demand. That is, the bank was entitled to ask Mr H to repay it at any time, simply by giving notice to him. At the point HSBC closed Mr H's account he was overdrawn, and he owed money he'd borrowed from the bank. When the account was closed the debt became due. Mr H was given 7 days to repay it. I can appreciate receiving the letter would no doubt have caused Mr H upset and worry. But HSBC followed this up with another letter on 22 April 2022 which told him that if he owed money, he'd need to get in touch to repay what he owed by 10 May 2022. HSBC also said that if Mr H couldn't repay the money, it would try and come to an arrangement with him, but he'd need to complete an income and expenditure form. I haven't seen any evidence that Mr H reached out to HSBC or told them that he was in financial difficulty. I'm satisfied HSBC took appropriate steps to help Mr H and did what I'd expect them to do.

In summary, I recognise how strongly Mr H feels about what's happened, and I don't doubt it was a frustrating and upsetting time. So, I realise he will be disappointed by my provisional decision. But overall, based on the evidence I've seen, I can't say HSBC has acted unreasonably and treated Mr H unfairly when it blocked and closed his account. And asked him to repay his overdraft. So, I won't be asking HSBC to do anything, and I don't think this complaint should be upheld.

HSBC accepted my provisional decision. Mr H didn't. In summary he said:

- He had completed an income and expenditure form with HSBC
- He told HSBC that he was in financial difficulties
- HSBC told him that a repayment plan wouldn't affect his credit score but then told him that it would
- HSBC said it sent him a two months' closure notice when it hadn't done so

Prior to issuing my decision I asked the investigator to get some more information from HSBC based on Mr H's responses to my provisional decision. In particular I asked whether it had gone through an income and expenditure exercise with Mr H and was aware he was in financial difficulties. HSBC responded and said:

- It had no record of Mr H completing an income and expenditure form with the bank or any discussions with Mr H about him being in financial difficulty or a payment plan
- A payment plan wasn't set up
- There was no indication of Mr H being in financial difficulty as there were credits in and out of his account sometimes larger than it would expect from a student account, it had a turnover of £59,000 since it had been opened, and the account was managed within the £1,000 overdraft limit
- It sent a closure letter to Mr H on 7 April 2022, a final demand letter was then sent on 22 April 2022, and Mr H made a payment on 11 May 2022 to clear the balance on the account

Now both sides have had an opportunity to comment I can go ahead and issue my 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.

In response to the provisional decision, Mr H has highlighted a number of concerns, which I'll now address below.

Mr H says he repeatedly told HSBC that he was in financial difficulty and that he went through the bank's income and expenditure process which included completing a form. He says HSBC is being deceitful in not providing the evidence to back up what he says happened – in other words HSBC is lying and misleading this service. This is a serious allegation. I've asked HSBC about this, and it says it has no record of Mr H telling them he was in financial difficulties or completing an income and expenditure form. I would expect it to set out for our service the full details of all of its interactions with Mr H when asked to do so. I've not seen any evidence that would suggest it hasn't done so. So, I don't think, as Mr H seemed to fear, that there is anyone within HSBC who is deliberately misleading or withholding information from this service. With this in mind, I've not seen any evidence that Mr H did complete an income and expenditure form, told HSBC that he was in financial difficulties; wanted to set up a payment plan; or was told that if he did this wouldn't impact his credit file.

When the account was closed the debt became due. HSBC sent Mr H a letter on 7 April 2022 in which he was given 7 days to repay it. HSBC followed this up with a final demand letter on 22 April 2022 which told him that he'd need to get in touch to repay what he owed by 10 May 2022. This is in line with the account terms and conditions, which state HSBC can ask for immediate repayment of an overdraft at any time. So, I can't say HSBC treated Mr H unfairly when it asked him to repay the money, he owed the bank.

I note that the final demand letter dated 22 April 2022 stated that the bank had previously sent Mr H a letter giving him two months' notice that it intended to close his account. Mr H says this didn't happen. Our investigator asked HSBC about this. It clarified that the final demand letter it sent to Mr H was a template that the bank used. And it confirmed that it closed Mr H's account immediately, which I've already said wasn't unreasonable. Therefore, even though HSBC made an error in sending a templated letter, which contained incorrect information, I can't see Mr H suffered any detriment. So, I won't be asking HSBC to do anything to resolve this aspect of Mr H's complaint.

In summary, I recognise how strongly Mr H feels about what's happened, and I don't doubt it was a frustrating and upsetting time. So, I realise he will be disappointed by my decision. But I see no reason to depart from my provisional findings. I remain of the view that this complaint should not be upheld for the reasons set out in my provisional decision, which are repeated above and form part of this decision. Overall, based on the evidence I've seen, I can't say HSBC has acted unreasonably and treated Mr H unfairly when it blocked and closed his account. And asked him to repay his overdraft. So, I won't be asking HSBC to do anything, and I don't think this complaint should be upheld.

My final decision

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 31 August 2023.

Sharon Kerrison

Ombudsman