

The complaint

X complain HSBC UK Bank Plc (“HSBC”) closed their account causing them financial difficulty, distress, and inconvenience.

What happened

X travelled overseas due to family and personal medical issues in January 2019. X say they were due to fly back to the UK in February 2019, but due to the pandemic their flight was cancelled, so they decided to stay there until it was safe to travel again.

X say they called HSBC in September 2021 to request their tuition fees be paid to a university in the UK for a course they wanted to study online. X say they were told they were not permitted to carry out the transaction due to the country X was residing in. Because of this X say they had to delay their studies for well over a year.

Following an internal review, HSBC sent a letter to X on 17 November 2021 notifying them of its decision to close their accounts in two months’ time.

X say they returned to the UK in December 2022. And on 28 December 2022, they visited a HSBC branch to activate their new account cards, but instead discovered their accounts had been closed. X say they weren’t provided with an explanation as to why HSBC closed their accounts.

X completed a HSBC form in early January 2023 so that they could have their funds released. X’s funds were sent by HSBC to their nominated account on 15 February 2023.

Unhappy with HSBC’s actions, X complained. HSBC didn’t uphold X’s complaint. In short it said:

- HSBC had sent X a letter in November 2021 explaining that after a review it had decided to close their accounts with two months’ notice. And this was done in line with the terms and conditions of the account
- X’s accounts were restricted by HSBC’s sanctions team while it carried an investigation into a potential conflict with HSBC’s Global Sanctions Policy
- X’s funds were transferred to their nominated account on 15 February 2023 after it had completed its due diligence

Unhappy with HSBC’s response, X referred their complaint to this service. One of our Investigator’s looked into X’s complaint, and they recommended it be upheld. Their key findings were:

- HSBC hasn’t provided enough evidence to show its decision to close X’s accounts was done in line with the terms and conditions of the account or that it had treated X fairly by doing so

- As X had to push back their studies, HSBC's actions caused them trouble and upset. But X could have mitigated against this by updating their address or having their post forwarded. Had they done this, its likely X would have received their funds back much sooner
- HSBC should pay X £100 compensation for the trouble and upset they suffered

HSBC maintained that it had acted fairly and in line with its sanctions policy for dealing with 'Sensitive Sanctioned Countries'. To support its argument, HSBC sent more information about its policy to this service.

As there was no agreement, this complaint was passed to me to decide. I then sent both parties my provisional decision. For ease of reference, here is what I said I was planning to decide:

Provisional decision

"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'm planning on upholding this complaint in part. I'll explain why.

HSBC has important legal and regulatory obligations it must meet, which includes ensuring no UK or other international sanctions might be breached. Those obligations are overriding in terms of otherwise meeting general timeframes for processing payments. And this is the same for every bank. This can mean that sometimes accounts are justifiably restricted or closed.

Neither party contests that X called HSBC in September 2021 to instruct it to make a payment to a UK beneficiary. HSBC's internal call note says X advised it they had been living overseas for the last two years. This is consistent with what X has said. As a result HSBC's agent updated its 'Know Your Customer' information in relation to X. It did nothing wrong by doing this as banks are obligated to keep up to date records of its customers.

This led to HSBC carrying out an internal review, and based on its global sanctions policy, it decided to close X's account with two months' notice. X's accounts weren't restricted during this time.

Based on the country X was residing in, I'm satisfied it is a UK sanctioned country – and that HSBC hasn't done anything wrong in terming it a 'sensitive sanctioned country'. That's because the UK has a robust and comprehensive sanction policy against this country. I note however that X themselves aren't a sanctioned individual based on the public records I'm able to reference this against. But HSBC say its decision was based on its wider sanctions policy.

To support this, HSBC has sent me a web link to its policy, which amongst other things says:

".....the Policy seeks to establish a globally consistent standard to effectively manage sanctions compliance risk across all HSBC wholly or majority-owned or controlled legal entities, helping us to protect the global financial system, our reputation and to best serve our customers. The Policy generally prohibits relationships or transactions involving sanctioned individuals and entities or comprehensively sanctioned countries, territories and their governments.

In compliance with our regulatory requirements and our Policy we may be required

from time to time to reject transactions, freeze assets or refuse to provide services. It also means that at times, our Policy and sanctions risk appetite may be stricter than our legal obligations, and we may choose not to support certain customer relationships or business activity even if it is legally permitted.”

The country X was residing in since 2018 has been, and continues to be, comprehensively sanctioned. So the question I need to answer is whether I think HSBC has acted fairly in closing X's account by giving them two months' notice because they were living in a comprehensively sanctioned country – albeit they weren't a sanctioned individual.

Having given this careful consideration, I'm persuaded that HSBC hasn't done anything wrong in closing X's accounts in this way for the reasons its given. That's because there is a legitimate reason which protects HSBC from engaging in complex sanctions by taking such an approach for customers residing in what I agree is a comprehensively sanctioned country.

X say they never received HSBC's November 2021 letter notifying them of the closure. HSBC has sent me a copy of this letter which shows it was sent 'online'. But I haven't seen any corresponding evidence to show an email was sent. It's also possible that a letter or electronic communication didn't get to X given where they were living.

X say the first they knew about the account closures was when they came to the UK in December 2022. But from what I've seen, I'm persuaded HSBC didn't do anything wrong in the way it communicated the closure of the accounts.

Both HSBC and X say a 'Unclaimed balance' form was completed by X on 4 January 2023. HSBC say it didn't send the funds any sooner due to sanction concerns with sending a cheque by post, so it held the funds in one of its sundry accounts until X was able to approach it about the funds. HSBC say it took them over a month to carry out due diligence on transferring the funds to X's nominated account once they made contact with [sic] it in late December 2022.

Firstly, I'm persuaded HSBC acted fairly and reasonably by not sending a cheque to X given they lived in a UK sanctioned country. I say that because there would be a significantly diminished prospect of them being able to deposit and utilise those funds there.

When X attended a branch, HSBC asked them to complete a form for the release of funds to their nominated account. I do however question why it took HSBC over six weeks to do this. I'm minded on thinking, that despite its due diligence activities, this is an unreasonable delay. In the circumstances of this complaint, given the sum of money involved and X's need of it in the UK, I'm persuaded HSBC should have taken no more than two weeks. So I think it needs to pay compensation of 8% simple interest to X for being deprived of these funds from 18 January 2023 until settlement on 15 February 2023.

X say this matter has caused them financial difficulty, and substantive distress and inconvenience. And the loss of opportunity by having to put back their studies.

I do of course accept this matter would've caused them some 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 that I don't think it did anything wrong in closing the accounts in the way it did – and the way this was communicated.

So I'm not going to ask HSBC to compensate X for any distress and inconvenience this may have caused.

Lastly, and for the sake of completeness, I note X has more recently complained about losing the benefits of a help-to-buy ISA account because of HSBC's actions. But HSBC hasn't done anything wrong in closing all of X's accounts in the way it has. So although this is unfortunate, it's not something I'll be asking HSBC to compensate X for.

Putting things right

To put things right, HSBC must:

- *Pay 8% simple interest on the balance it was holding for X from 18 January 2023 until settlement on 15 February 2023"*

I also set both parties a deadline to send me any further comments and evidence they wanted me to consider before reaching a final decision on this complaint. That deadline has now passed. HSBC agreed with what I was planning on deciding. X have sent in further information for me to consider.

I will now decide this complaint.

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 to uphold this complaint in part. I'm doing so mainly for the reasons in my provisional decision – as above. I note X have made further submissions, which I'll address here.

- X say they travelled overseas in January 2018 and not January 2019. They say this was an error on their part and have sent in evidence of their flight details. I'm satisfied that this is the correct date and I've changed this detail in the background section above.

I'm aware it still features erroneously in my provisional decision excerpt – but that is only because that is an exact copy of what I said. I'd like to assure X that I've relied on the corrected date they have provided in reaching my decision

- X say they don't agree with the findings our Investigator made - as set out in my background section above. The ombudsman stage of our process is an independent review, and I have looked at X's complaint afresh. So I don't need to make any further comment about that given I have reached my own findings on this complaint
- X say HSBC prevented them from transferring funds from their account to another UK account. But they initially told this service, they couldn't make a payment to the educational institution they had to pay fees to.

HSBC has provided me with a screenshot of its internal customer contact database. On here it shows X called HSBC in September 2021 to set-up a payment to a UK company. The note also shows X told HSBC's agent that they had been living overseas in the sanctioned country since 2019. The agent then notes they needed to seek clarification from a colleague whether the payment can be completed as the information X provided about their residency was not consistent with what it knew about them. So its KYC ("Know Your Customer") information was incorrect. The note says X was unhappy with this and the call then disconnected.

It's not clear why the call disconnected. But given the nature of the information X presented to HSBC at that point, I don't think it did anything wrong in raising an internal query about processing the payment. I'd add to that I haven't seen any information which shows X called HSBC back to ask what the outcome of its internal query was.

I've already said that HSBC didn't restrict X's account after it notified them it was closing the account – so it is possible that had X called HSBC back it could've made the payment to a UK educational institution or to X's other external bank account.

HSBC has also confirmed that it received no more communication from X after it sent her the notice of closure in November 2021. So I don't think HSBC are responsible for X not being able to make such a payment, because it's likely had they contacted it after the review was completed, a payment or transfer to another of X's accounts would've been possible.

- X says HSBC failed to tell them about its sanctions policy when opening the account. Sanction law is complex and affects all banks. HSBC must adhere to such laws and regulations. And it can implement reasonable measures, like it has here, to protect itself, and to ensure it meets its obligations. The consequences for HSBC not doing so can be severe.

I'd add too that HSBC's terms and conditions says it can close an account where *'You've placed us in a position where we might break a law, regulation, code, court order or other duty, or requirement'*. X would have agreed to these terms when opening their account

- X says HSBC sent the notification of closure letter to their UK address, and no attempt was made to communicate with them overseas. It's not clear how this notification was sent given the copy I've seen shows it was an 'online' copy. I also said in my provisional decision that it was possible any communication sent abroad didn't likely get there.

Having carefully reconsidered this point, I still think that this would have made no difference to the account being closed or prompting X into action. After all, X knew from their call with HSBC in September 2021 that HSBC had raised an internal query about what X had told it about living in a sanctioned country. And X never followed up on this

- X says HSBC should've contacted them to discuss how to transfer the funds out of their account in the overseas country they were living in. Doing so may have compromised HSBC's legal obligations. But even if that wasn't the case, X didn't want HSBC to update its KYC information about where she was living, and I haven't seen that she provided an overseas address
- I've already said that HSBC should have taken no more than two weeks as opposed to the six weeks it did take to release X's funds once they initiated the process in the UK. So I still think HSBC needs to pay compensation of 8% simple interest to X for being deprived of these funds from 18 January 2023 until settlement on 15 February 2023. I still think this is fair compensation for X being deprived of their funds
- For the reasons in my provisional decision, I'm satisfied HSBC did nothing wrong in closing X's help-to-buy ISA and so doesn't need to compensate them for any financial loss they say they suffered because of this

Putting things right

To put things right, HSBC must:

- Pay 8% simple interest on the balance it was holding for X from 18 January 2023 until settlement on 15 February 2023*

* If HSBC considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell X how much it's taken off. It should also give X a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons above I've decided to uphold this complaint in part. HSBC UK Bank Plc must now put things right as above.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 3 April 2024.

Ketan Nagla
Ombudsman