

## **The complaint**

Miss C complains that HSBC UK Bank Plc blocked and closed her bank account. And didn't treat her fairly when it asked her to repay her overdraft.

## **What happened**

Miss C had an account with HSBC with an agreed overdraft of £1,250.

HSBC blocked and reviewed Miss C's account. At the time of the block the account was around £1,250. overdrawn. Following this, on 7 April 2022, HSBC decided to close Miss C's account immediately.

Miss C was worried that due to her account being closed she wouldn't be able access her benefit payments and a £3,000 payment she said she was expecting from a government saving scheme. So, she rang HSBC on 7 April 2022, to find out how she could access her payments. HSBC said it was happy to arrange to transfer Miss C's benefits to another account she held. And asked her how she intended to repay the money she owed the bank. During the call HSBC said it was happy to complete an income and expenditure form and work out if it could offer her a repayment plan. But said Miss C needed to repay the overdraft.

Miss C told HSBC that she didn't have time and just wanted her benefit payments. She also said she needed the £3,000, as this was a deposit for a house purchase, she said was due to compete on 18 April 2022. Miss C said she would call back to go through her income and talk about repaying her overdraft. HSBC agreed and asked Miss C to call back so that it could transfer her benefit money to her other bank account.

On 11 April 2022, Miss C's benefit payments credited her HSBC account. Miss C called HSBC and the funds were transferred over to an account Miss C held with another bank, that was already set up as a payee on her account. HSBC told Miss C that the £3,000 payment hadn't credited her account. During the call Miss C spoke to HSBC's financial support team who went through an income and expenditure exercise with her, however HSBC weren't able to offer Miss C a repayment plan as the assessment revealed that Miss C could only afford to repay around £6 each month towards her overdraft.

HSBC wrote to Miss C on 22 April 2022 and told Miss C that if she wasn't able to repay her overdraft by 10 May 2022, her account would be passed to its collections and recoveries team. The letter also said that if she had trouble repaying the full amount, she could contact HSBC who would work with her to come up with a suitable arrangement, based on her income and expenditure. The letter also incorrectly said HSBC had previously asked Miss C for information and had warned her that if she didn't provide the information, it would close her account with two months' notice.

Miss C called HSBC on 22 April 2022. She explained that she hadn't been asked for any information and was concerned about how she was going to repay what she owed the bank. During the call, HSBC went through an income and expenditure exercise, detailing all of Miss C's outgoings, income, and other debts. At the end of the exercise HSBC said it

couldn't offer her a repayment plan as Miss C could only afford to repay just over £6 each month towards her overdraft. HSBC advised Miss C to speak to debt advisory charities and provided contact details. HSBC said that these charities would be able to look at Miss C's circumstances and work out a way forward that covered everything Miss C owed based on her income.

During the call HSBC said it could offer Miss C a token payment arrangement. HSBC explained that this could be put in place for six months, but if she didn't clear the balance within this time a default would be registered which would impact her credit file. However, given the amount Miss C was able to afford it was unlikely that this arrangement would have led to Miss C avoiding a default. HSBC explained that entering into any arrangement to repay her overdraft and being defaulted would impact her credit file.

Not wanting her credit file to be impacted, Miss C repaid her overdraft on 25 April 2022. She said she had to ask her dad to lend her £500 and use a credit card to clear the overdraft, which was costly as she had to repay interest on the money.

Miss C complained to HSBC about closing her account and asking her to repay her overdraft. HSBC said it hadn't done anything wrong when it reviewed and closed Miss C's account. It also said based on the terms and conditions of Miss C's account it was entitled to ask Miss C to repay her overdraft.

Unhappy with this response Miss C brought her complaint to our service where one of our investigator's looked into what had happened. Miss C said that HSBC hadn't treated her fairly when it closed her account. She said she was forced to use foodbanks as she couldn't access her benefit payments and had to quickly arrange a new bank account. Miss C also said that HSBC didn't explain any repayment plans would impact her credit file and that she'd been forced to take on more debt to repay her overdraft as HSBC left her no option but to repay the overdraft in full, which she did to protect her credit file. In relation to the letter HSBC sent Miss C on 22 April 2022, Miss C said that HSBC had lied - the bank never gave her two months' notice and never asked her for any information. So, she wants HSBC to pay her compensation.

An investigator looked into Miss C's complaint. He said HSBC hadn't done anything wrong when it closed Miss C's account and asked her to repay her overdraft. He also said that HSBC had done what he would expect regarding offering Miss C ways to repay her overdraft and that HSBC had explained to Miss C that any repayment plans would be reported to the credit reference agencies.

Miss C disagreed and pointed out that her husband who had the same complaint that he brought to our service, had been offered £150 compensation by the investigator who looked at it. So, she said should be awarded the same amount of compensation. She also said that HSBC should have given her more time to repay her overdraft. In an attempt to mediate this complaint, the investigator contacted HSBC about the outcome of Miss C's husband's complaint. HSBC said as a gesture of goodwill it would also offer Miss C £150 compensation. However, Miss C said this wasn't enough.

As no agreement could be reached the matter has come 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.

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 Miss C that I have considered everything that she 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. They can broadly be summarised as a responsibility to protect persons from financial harm, and to prevent and detect financial crime. To comply with its obligations HSBC may need to review an account and/or restrict its customer's access. And that's what happened here.

I've no doubt that not having a functioning bank account made things quite difficult for Miss C. She's said because of HSBC's actions she didn't have access to her benefits for around ten days. I don't agree. I say this because I've listened to telephone calls Miss C had with HSBC on 7 April 2022, about accessing her benefit money. During the call HSBC agreed that it would allow her to access these funds – which amounted to just under £1,000. From looking at Miss C's bank statement I can see that her benefit money credited her account on 11 April 2022. Miss C contacted HSBC the same day and the bank transferred all the funds to an account she held with another bank. So, it seems Miss C wasn't deprived of her benefit funds.

I can understand why she Miss C found this experience with HSBC stressful and upsetting. But as I've explained, banks have legal obligations 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 Miss C's account. So, whilst I accept this caused Miss C upset and inconvenience, I can't say HSBC treated her unfairly when it blocked her account. So, it wouldn't be appropriate for me to award Miss C compensation since I don't find HSBC acted inappropriately.

I then turn to the bank's decision to close Miss C'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 a 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 Miss C decided to stop banking with HSBC, she wouldn't have to explain why.

HSBC have relied on the terms and conditions when closing Miss C's account. The terms explain that the bank can close the account immediately and by providing two months' notice. In this case HSBC closed Miss C's account without notice. Having looked at all the evidence, including how Miss C was operating her account, in my view that was reasonable. So, it was entitled to close the account as it has already done. I've also kept in mind that Miss C had access to another account, as she transferred her benefit money to an account she had with another bank, which I think would've minimised the impact of the immediate closure. So, I won't be asking HSBC to pay Miss C any compensation.

Miss C is upset about a letter she received from HSBC dated 22 April 2022. The letter told Miss C that the bank was closing her account as she'd not provided information it had requested. And were giving her two months' notice. Miss C says this isn't true and that HSBC are lying. We've asked HSBC about the letter. It has accepted it sent the letter to Miss C by mistake and apologised for any upset it caused Miss C. I haven't seen any evidence that the letter had a significant impact on Miss C. So, I think this is a fair and reasonable way to resolve this aspect of Miss C's complaint. And I won't be asking HSBC to do anything more.

## *Overdraft*

When HSBC closed Miss C's account it was overdrawn by just under £1,250. Miss C says HSBC treated her unfairly by asking her to repay her overdraft immediately and has said that she had to take on other debt to repay it. Miss C also says that HSBC didn't explain how her credit file would be impacted if she entered into any arrangements with the bank to repay the overdraft. She says she felt pressured to repay what she owed in full to protect her credit file. And she wants HSBC to refund the amount she paid to clear her overdraft.

The existing rules and guidance for dealing with customers in arrears and default expect HSBC to treat customers with forbearance and due consideration and allow the customer reasonable time and opportunity to repay. In simple terms this means HSBC should treat Miss C fairly and give her appropriate support.

HSBC was entitled to explore all available options to support Miss C. I'd expect them to get an understanding of Miss C's individual financial circumstances to decide how best to help her. In order to assess Miss C's situation, HSBC asked her for details of her income and expenditure. I can appreciate this was a time consuming task for Miss C. But I don't think this was unreasonable given HSBC needed to check if a repayment plan was an option – in fact I think it was necessary to ensure any payment plan would be realistic, affordable, and sustainable. Having listened to the calls between HSBC and Miss C, I'm satisfied that HSBC explained to Miss C why they needed the information about her income and expenditure. She was also made aware of the consequences on her credit file to agreeing to a payment plan.

Based on information she provided about her income and expenditure, HSBC didn't think Miss C had enough spare income to enter into a repayment plan. HSBC said the only other option available to Miss C was a token repayment arrangement, which would mean Miss C had to clear what she owed within six months. Given what Miss C had told HSBC about her financial circumstances I think it's unlikely that this would have been a suitable option. HSBC also provided information about organisations she could contact to seek independent advice about her financial situation. I haven't seen anything to suggest that HSBC applied pressure to Miss C to repay her overdraft. And I've not seen any evidence that Miss C reached out to any of the debt charities for help. It was Miss C's decision to repay the overdraft in full, which she did to protect her credit file. Overall, I'm satisfied HSBC took appropriate steps to help Miss C and did what I'd expect them to do.

In summary, I recognise how strongly Miss C feels about what's happened, and I don't doubt it was a frustrating and upsetting time. So, I realise she will be disappointed by my decision. But overall, based on the evidence I've seen, I can't say HSBC has acted unreasonably and treated Miss C unfairly when it blocked and closed her account. And asked her to repay her 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 Miss C to accept or reject my decision before 22 November 2023.

Sharon Kerrison  
**Ombudsman**