

The complaint

O a registered charity, complains HSBC UK Bank Plc unduly delayed paying money that belonged to it.

O wants the bank to pay the interest it says it lost and compensation for the difficulties caused. O is represented by one of its officers, Mr M.

What happened

O decided to close its accounts with HSBC and completed the necessary paperwork on 20 September 2022. Having given the instruction and the bank having accepted it, O understood the closing balance would be sent to it shortly. The overall amount to be paid was £515,304.80*.

In October the funds still hadn't arrived, so O raised a complaint. HSBC investigated and issued response on 2 November. It apologised for the delay, explaining the account wasn't closed until 6 October and the cheque for the closing balance issued on 7 October. It offered O £100 compensation for the delay and said it would raise a new cheque given the original hadn't arrived.

Unfortunately, the second cheque didn't arrive either so O contacted HSBC again in November, escalating the matter once more as a complaint. HSBC issued a second response on 28 November, apologising for the additional delay. It offered O a further £100 and said that a new closing balance cheque had been issued on 22 November which should arrive shortly.

O rejected the compensation. It still didn't have its money and said the amount offered didn't cover the interest on the funds or recognise the actual time, expense and effort gone into chasing this. It couldn't understand why the bank hadn't remitted the funds electronically when it knew the original cheque hadn't arrived back in early October. It considered the service woefully poor and referred the complaint to us.

One of our investigators took a look into what had happened. He noted O now had the funds. He didn't think HSBC had done anything wrong insofar as choosing to send the money by cheque as that was its standard process and it was simply adhering to it. But he accepted something had clearly gone wrong with the overall time this had taken and calculated HSBC ought to pay O interest for a period of ten days at 8% per cent per annum. This took into account that the bank also had internal service levels to issue a cheque, which gave it some time to deal with the requests. He added the bank should also honour its original agreement to pay £200 for the inconvenience caused.

HSBC accepted the investigator's view, agreeing to pay ten days lost interest on the funds and £200, but said the offer to pay lost interest was made as a gesture of goodwill to assist in resolving the complaint. It reiterated its process was to send a cheque in the post and ultimately it couldn't be held responsible for any postal delays/problems that may have occurred.

Our investigator put the offer of compensation to O, but O didn't think it went far enough. It maintained there was no reason why the bank couldn't have sent the funds electronically when it first knew the cheque hadn't arrived. It considered it was out of pocket by rather more interest and pointed out that it could have opened a bond paying a favourable rate of interest.

Our investigator asked O for evidence of the bond. O said it didn't have any and was making the point to illustrate what it could have done, but had been denied the opportunity through the delays. The bond was a relevant factor.

The investigator didn't change his mind. O requested an ombudsman review everything afresh.

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 think HSBC has made a fair and reasonable offer to resolve this complaint. I'll explain why below.

O had to chase to get its money. The time taken to deal with this certainly seems to have been long, given the request to close the account was made on 20 September and O didn't get all of its money until early December. The bank's standard process is to send the funds by cheque, and I don't think there's anything wrong with that, but I do have some sympathy with the point that it could have done more to help and considered electronic remittance.

I appreciate O thinks this should have been in early October, but I think at that point it was perfectly reasonable for the bank to say it would raise another cheque. Because there wasn't anything obvious to indicate there was a problem with that method. I think when O got in touch again in November, it would certainly have been apparent that having tried twice something wasn't working. So, I think the bank ought to have done more, such as, engaging in considering a different method of getting the money to O. But instead, it appears to have defaulted to raising another cheque.

Thinking about all of this, I'm satisfied there were some shortcomings in the service and it's only right that HSBC should do something to put things right. I'll focus now on what this means in terms of compensation.

Financial loss

When I reviewed this case, I contacted the bank to understand its offer of compensation as I didn't think the figures were clear.

*The first thing I would like to say is that the overall amount that was to be paid to O by HSBC was £515,304.80. HSBC has told me that the closing balance cheque was for £52,290.60, however second account had £463,014.20.

It has also confirmed, its offer (with explanation) is as follows:

Total amount £515,304.80

$£515,304.80 \times 8\% = £41,224.38$ (interest on per annum basis)

$£41,224.38 / 365 = £112.94$ (daily rate)

$\pounds 112.94 \times 10 = \pounds 1,129.43$ (10 days' interest)

Plus, the £200.

I realise O thinks it is owed more by way of interest, but I can't agree with its assessment of the loss. I say this because, I asked our investigator to request evidence of where the funds were to be paid to see what interest it was actually prevented from earning - as this would be the actual basis of calculating any financial loss.

O didn't provide any evidence and referred the investigator back to its previous response of the bond it says it could have opened. I've thought about what it's said but this isn't persuasive evidence that O would have done anything with the money, other than it sitting in possibly another current account. Because I would have expected to see some enquiries relating to an application for a bond. So, with this in mind there's nothing to support a claim for lost interest to the extent that O is pursuing.

HSBC has offered to pay O more than the funds would have earned based on the available evidence on this case. As a result, there's no basis to require additional monies be paid. But in keeping with the spirit of the offer, I'm not going to interfere with this, as it's been made as a gesture of goodwill to resolve the complaint. Given all of this, I'm satisfied the offer on the interest is a fair and reasonable resolution in all the circumstances, and I would urge O to accept it.

Other difficulties

As I have said, there were undoubtedly shortcomings in the service the bank provided, and this led to O having to contact HSBC. However, I consider the offer to pay £200 is fair and reasonable in all the circumstances. Not least because of the offer in relation to the interest.

My final decision

My final decision is that I uphold this complaint and require HSBC UK Bank Plc to pay O £1,129.43 (10 days' interest) and £200 for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask O to accept or reject my decision before 8 August 2023.

Sarita Taylor
Ombudsman