

The complaint

A company I'll call R complains that HSBC UK Bank PLC blocked then closed its account, then called in its Bounce Back Loan (BBL), all without explaining why.

R is represented by one of its directors, Ms K.

What happened

On 6 July 2021, HSBC issued a letter to R saying it would close all of R's accounts on 9 September 2021. It didn't give a reason for its decision, but said the notice was in line with clause 29 of its terms of business. R complained, but HSBC maintained its position. It issued its final response to R's complaint on 21 July 2023, saying it had made its decision after a thorough review of the account, but without expanding on its reasons.

R gave instructions for where HSBC should send its account balance when the account was closed but when the time came, HSBC didn't release the funds so Ms K brought R's complaint to our service.

HSBC later did release R's funds, but only after it called in R's BBL and deducted part of R's account balance to settle the BBL in full. To recognise the delay in releasing R's funds, HSBC offered to pay interest totalling £11,827.50 on the withheld balance and to refund charges it had applied to R's account during the block. But Ms K rejected HSBC's offer, saying HSBC had caused distress and embarrassment to her and her fellow director, and that she wanted the BBL to be reinstated.

Our investigator looked at the complaint and decided to uphold it. She was satisfied HSBC was entitled to close R's account, but she felt it had erred in recalling the BBL and paying the balance off with R's funds. So, in addition to the compensation HSBC had offered, she recommended HSBC reinstate the BBL and pay £500 to compensate R for the inconvenience it had experienced as a result of HSBC's actions.

Both parties rejected our investigator's findings

Ms K queried the interest calculation and said the correct amount should be £22,602, and felt that £500 didn't fairly compensate R considering the impact this had all had on R's business.

HSBC accepted our investigator's recommendations regarding compensation, but didn't accept that it should have to reinstate the BBL. It said it had followed the correct process in terminating the BBL, and that a direction to reinstate the same fettered its discretion to end a relationship it had with a customer it had decided it no longer wanted to retain.

Because no agreement could be reached, the matter came 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.

Firstly, I should say that I'm aware I've summarised the events of this complaint in far less detail than the parties, and that I've done so using my own words. The reason for this is that I've focussed on what I think are the key issues here, which our rules allow me to do.

This approach simply reflects the informal nature of our service as a free alternative to the courts. And 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 in this case. So, if there's something I've not mentioned, it isn't because I've ignored it, and I must stress that I've considered everything both Ms K and HSBC have said, before reaching my decision.

Account block

All banks in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. That sometimes means they need to restrict customers' accounts while they carry out a review.

So, in order to make an award in favour of R, I would need to be satisfied that HSBC acted unfairly or took actions it wasn't entitled to take. Having looked at the evidence, I'm satisfied HSBC acted in line with its legal and regulatory obligations when it blocked R's accounts. And that it was entitled to do so under the account terms and conditions that governed the relationship between HSBC and R.

I understand why Ms K wants HSBC to share its reasons with her. But HSBC is under no obligation to do so, whether contractual or otherwise. So, I can't say it should have given Ms K more information when she asked.

However, I do think HSBC could have returned the balance in R's account sooner than it did. HSBC has already accepted this point, and I'm satisfied the date range it has acknowledged is reasonable.

While I can't disclose the details to R, I've considered the information HSBC has provided and I agree that the funds could have been released on 29 November 2021. Its calculation is based on the time between that date and the date it did release the funds (i.e. 9 June 2022). And I'm satisfied that represents fair compensation for R as a result of it being deprived of its account funds.

HSBC also agreed to refund charges in the sum of £184.50 that it applied to R's account during the block. Both parties have accepted this part of our investigator's outcome, so I won't comment on it further, save to say that I'm satisfied HSBC should refund those charges.

Account closure

A bank is entitled to close an account with a customer, so long as it does so in a way that complies with the terms and conditions of the customer's account. The terms and conditions of R's accounts say that HSBC can close the accounts by giving two months' notice. And again, there is no obligation on HSBC to disclose the reasons for its decision to R.

HSBC's notice to close letter was dated 6 July 2021, and informed R that its accounts would be closed on 9 September 2021 (i.e. more than two months after the date of the notice).

So, it follows that HSBC correctly followed its process and gave R the required notice. And while I understand R didn't have access to its account during that period, for the reasons I've set out above, I'm satisfied HSBC was entitled to keep the block in place.

And, while HSBC isn't obliged to disclose the reasons for its decision to R, I have looked at the evidence it provided our service to support its decision. And having done so, I'm satisfied that it was entitled to close R's account in the manner it did. And that it didn't treat R unfairly by closing the account.

Bounce Back Loan

HSBC told our service it was entitled to withdraw the BBL in accordance with the terms and conditions of the loan. And it set out the extent of the review it carried out in determining whether it should recall the loan. I accept the terms of the BBL entitle HSBC to recall the loan in certain circumstances, but our service would expect to see justification for a recall to ensure HSBC has treated its customer reasonably, so HSBC's discretion in this regard is not unfettered.

The conditions, rules and requirements that apply to BBLs are different to those that apply to current accounts. And our service's approach to termination of each of these products is distinct, in no small part because a bank account can be replaced relatively easily. Whereas the same cannot be said of a credit facility, particularly a BBL. And the consequences of terminating a BBL are usually more severe than the consequences of terminating a current account.

With that in mind, I've looked at the evidence HSBC sent our service, to understand why it recalled the loan, and whether or not it treated R fairly in doing so. And having done so, I'm not persuaded it was entitled to call in the BBL. I'll explain why.

Because HSBC isn't obliged to disclose the reasons for its decision to R, I won't go into detail about the evidence and rationale HSBC has submitted. However, while I can see HSBC had concerns about retaining R as a customer, I haven't seen evidence to demonstrate it was entitled to terminate the BBL in the same manner as it terminated the current account.

Firstly, I should say that I'm satisfied HSBC's *intentions* in recalling the BBL were reasonable, and I understand why it decided to do so. Furthermore, it is not for me to set out exactly what steps HSBC should follow before terminating a BBL: that is a matter for HSBC to decide and those steps will vary from case to case. So, to be clear, I have decided this complaint based on the facts particular to this case and what I consider to be fair and reasonable.

With that being said, I do think HSBC needed to do more here before it recalled the loan. For example, while HSBC has demonstrated sufficient reasoning to persuade me it was entitled to close R's business account, I haven't seen the level of checks I might expect to see when a bank terminates a BBL, nor corroborating evidence to substantiate HSBC's concerns. And without this (or some other further evidence) I can't be satisfied that HSBC acted reasonably in exercising its right to recall the loan.

To be clear, I'm not denying HSBC's right to recall a BBL in certain circumstances, and had HSBC demonstrated it had taken further action, whether that be greater interaction with R, providing evidence to substantiate its concerns, or some other steps proportionate to its actions, I may have reached a different outcome. But as I've said above, I have to assess each case on its own merits, and on this occasion, I'm not persuaded HSBC has done enough to demonstrate its actions were reasonable.

As to what HSBC should do to put things right, firstly it follows that it should reinstate the BBL and return the same to the position it was in at the date of the recall.

I've also thought carefully about what compensation it should pay R. While R has told our service about the impact this had on its business, I haven't seen compelling evidence of consequential losses it suffered as a result of HSBC's errors. That's not to say I don't accept it wouldn't have suffered a loss as a result of HSBC's actions, it's simply that I'm satisfied HSBC's interest offer represents fair compensation for any losses R suffered as a result of HSBC's errors, and for the time it was deprived of its funds.

And while I have no doubt this whole situation would have caused significant upset to R's directors; I can't make an award in that regard. R is HSBC's customer, not Ms K and Mrs H, so I can't ask HSBC to compensate Ms K and Mr H for any distress they experienced personally. And because R is a limited company, it can't experience distress, so I can only make an award to recognise the inconvenience it suffered.

And I'm satisfied that £500 fairly reflects the inconvenience R experienced as a result of having its directors' attention diverted to deal with this issue.

My final decision

My final decision is that HSBC UK Bank PLC must:

1. Pay R £500 in recognition of the inconvenience it experienced as a result of HSBC's errors;
2. Pay R £11,827.50 in interest;
3. Refund charges in the sum of £184.50; and
4. Reinstate the BBL on the same terms as the date the same was recalled, and remove adverse credit markers registered on the back of the termination (if any).

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 4 January 2024.

Alex Brooke-Smith
Ombudsman