

## **The complaint**

A company I'll call S complains that HSBC blocked and closed its accounts, without explaining why, then called in S's Bounce Back Loan (BBL) and offset the balance of S's accounts against the debt.

S is represented by its director, Mr M.

## **What happened**

In March 2021, HSBC blocked S's accounts without prior notice and without explaining why. HSBC then carried out a review of S's accounts, before ultimately deciding to close the accounts in September 2021. When HSBC closed the accounts, it gave S two months' notice of its intention to do so, but it kept the accounts blocked during the notice period.

After HSBC issued its notice to close S's accounts, Mr M asked it to close them immediately, but HSBC didn't action that request. Mr M complained, but HSBC rejected his complaint. It issued its final response to the complaint on 21 November 2021, in which it said it was permitted to close S's account, and that the accounts would remain blocked while HSBC complied with its statutory requirements.

HSBC closed the accounts on 13 December 2021, when it issued a cheque to S in the sum of £2,673.33, representing the balance due. Before it did so, it deducted £31,368.16 to offset against S's BBL debt.

Mr M brought his complaint to our service, but our investigator only upheld it in part. She said HSBC was entitled to block and close S's accounts, and to recall the BBL. But she felt HSBC had delayed in releasing S's funds, so she thought it should pay interest at the rate of 8% on the account balance for the delay period, on top of £150 in compensation that HSBC had already offered.

HSBC accepted our investigator's outcome, but Mr M didn't. He said the money in S's accounts didn't belong to S as S owed money to its suppliers, and that HSBC had assured him the accounts would be unblocked during the notice period. He asked for an Ombudsman to review the matter 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.

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 Mr M 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 S, 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 S's accounts. And that it was entitled to do so under the account terms and conditions that governed the relationship between HSBC and S.

Mr M's argument that the money in S's accounts didn't belong to S doesn't hold water. While S might have owed money to its suppliers, that doesn't mean any money in its accounts belongs to those suppliers. And HSBC's terms and conditions don't limit what funds it can and can't hold onto during a block such that it wouldn't be allowed to withhold funds its customer claims are owed to a third party.

I understand why Mr M is concerned that HSBC wouldn't share its reasons with him. But HSBC is under no obligation, whether contractual or otherwise, to do so. So, I can't say it should have given Mr M more information when he asked. And regardless of what any of HSBC's staff may have told Mr M about access to the accounts during the block, I'm satisfied it was entitled to keep the block in place during the notice period, so I won't ask it to compensate S.

#### *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 S'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 S.

HSBC's notice to close letter was dated 2 September 2021, and informed S that its accounts would be closed on 8 November 2021 (i.e., more than two months after the date of the notice).

So, it follows that HSBC correctly followed its process and gave S the required notice. Indeed, the account remained open until the following month, so it was closed well after the contractual notice period had expired. And while I understand S didn't have access to its funds during that period, as I've set out above, I'm satisfied HSBC was entitled to keep the block in place.

While HSBC isn't obliged to disclose the reasons for its decision to S, I have looked at the evidence it provided our service to support its decision to see if it treated S fairly. And having done so, I'm satisfied that it did and that it was entitled to close S's account in the manner it did.

With that being said, I can see that HSBC accept it delayed in closing the accounts and releasing the balance due to S. After HSBC issued its notice to close, S wrote to HSBC on 8 September 2021 with instructions to close the accounts immediately, and with details of where it wanted HSBC to send the money in its accounts. HSBC's notice to close had invited S to say what it wanted HSBC to do with S's funds, and it didn't make any representations in

reply to our investigator, when she said it should have paid the account balance of £2,673.33 to S on 15 September 2021. With that being the case, HSBC should pay S interest at the rate of 8% on the balance of £2,673.33 from 15 September 2021 to 13 December 2021.

Mr M did suggest S suffered losses as a result of HSBC's actions, but I haven't seen evidence to support his claim that HSBC should pay S £35,000. And so, I'm satisfied that the above interest award fairly compensates S for the losses it suffered as a result of being deprived of its money. With regard to any inconvenience S suffered as a result of HSBC's actions, I'm satisfied HSBC's offer of £150 represents fair compensation. The inconvenience S experienced overall outweighs that amount, but I'm only making an award for the inconvenience caused by the delay in releasing S's funds, given I'm satisfied HSBC didn't do anything else wrong.

### *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 extend 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.

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 S fairly in doing so. I should start by saying that this issue is finely poised, and that I've reached my conclusion on the balance of probabilities. Because HSBC isn't obliged to disclose the reasons for its decision to S, I won't go into detail about the rationale I have seen, nor why I consider that rationale was justified. But simply, I've carefully considered the information HSBC provided our service, and on balance, I'm satisfied it was reasonable to recall the loan in the circumstances of this particular case.

I understand it will frustrate Mr M that I can't explain my decision in more detail. But I hope he can take some comfort from knowing that I have thoroughly reviewed HSBC's evidence, and that I have reached my decision independently of HSBC.

It follows that by terminating the facility in accordance with the terms and conditions of the loan agreement, the outstanding balance of the loan became payable immediately. HSBC used the funds in S's bank accounts to repay the amount it was owed under the loan agreement. And the loan agreement allows HSBC to use the funds in S's accounts to settle the debt. So, I don't think HSBC did anything wrong in applying S's funds against its debt.

### **My final decision**

My final decision is that HSBC UK Bank PLC must pay S:

1. £150 in recognition of the inconvenience S experienced; and
2. Simple interest at the rate of 8% on the balance of £2,673.33 from 15 September 2021 to 13 December 2021.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 2 January 2024.

Alex Brooke-Smith

**Ombudsman**