

The complaint

H a company complains that HSBC UK Bank Plc blocked a payment to its manufacturer to process an order for its customer. H had to ask its customer for identification details. H would like compensation for the delay to its business and the embarrassment caused.

H is represented by its director Mr J.

What happened

The facts which led to H bringing its complaint to our service are well known to both parties, so I am not repeating them in full here.

In summary, H's customer who I will refer to as X, ordered a kitchen from H. H placed an order with their European manufacturer. H also sent a payment of EUR 6,060.93 on 14 October 2022 through HSBC to its European manufacturer.

The payment was blocked because of sanctions concerns. HSBC asked H to provide it with details of X's identity including X's date of birth and passport.

H was able to provide X's details to HSBC on 26 October 2022. Following this the payment was released on 28 October 2022.

Mr J was unhappy with having to request this information from H's customer. He said HSBC were being Islamophobic. He said stopping the payment had cost H £15,000 in losses.

HSBC said it was complying with its legal and regulatory obligations and its sanctions policy in blocking the payment and requesting the information it did. They acknowledged that there had been inconvenience caused and awarded £100 compensation as a gesture of goodwill. This was paid into H's business account.

Mr J was unhappy with the response, so he complained to our service.

One of the investigators looked into the complaint. She thought HSBC had acted fairly when requesting the information about X. She thought the bank were complying with their legal and regulatory obligations and the sanctions policy applicable at the time. She didn't think that HSBC had acted unfairly.

Mr J was unhappy with the view. He said he had been sending payments to the same manufacturer for five years without any problem. Mr J said he thought the reason why the payment was stopped was for Islamophobic reasons. He didn't think the processes followed by HSBC had protected H but instead had caused it to lose £15,000.

As there was no agreement 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'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. 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. I do stress however that I've considered everything that Mr J representing H and HSBC have said before reaching my decision.

I've thoroughly read and considered all the evidence and arguments from both sides. I know Mr J wanted the ombudsman to listen to his calls with HSBC and I would like to reassure him that I have done so. My outcome focuses on the relevant key issues, and on what I consider fair and reasonable in all the circumstances of the case.

HSBC has a wide variety of legal and regulatory obligations it must follow when providing accounts to its customers. These obligations are ongoing and are not only relevant when an account is opened. In Mr J's case, HSBC requested further information in order to make sure that X wasn't a sanctioned individual. HSBC's responsibility means it has to carry out enhanced checks on payments to and from certain countries or which refer to certain individuals, as they are considered high risk due to financial sanctions in place.

Sanctions can be very broad and relate to countries, individuals, trade and transactions. HSBC is expected to take measures to comply with current sanctions, which means it has extensive things it needs to be aware of and monitor. Sanctions are also just one of the many things HSBC must take into account to ensure it's doing what it should. And, if it didn't review accounts and the activity taking place on them, it could risk serious penalties. So, having a sanctions policy or other policies to mitigate against potential risks isn't by itself wrong. And, from everything I have seen, I'm satisfied the actions HSBC took were in line with its obligations.

I appreciate Mr J has said he has been sending funds to the European manufacturer for many years and H has never had this issue. Mr J says that since the money was coming from H to a European manufacturer and neither party are sanctioned then he doesn't see why HSBC insisted that enhanced checks should be made. He has said he thinks HSBC were Islamophobic and were only requiring identification documents from X because he had a Muslim name.

The crux of this complaint is that H's payments to its supplier were blocked and Mr J as the officer of the company found himself in the difficult position of having to ask X for information that wouldn't necessarily be needed in order to buy a kitchen. The question is whether HSBC acted fairly when they blocked the payment and requested further information about X as they were under an obligation to ensure the payment didn't fall within the scope of sanctions.

I've already said that HSBC's obligations are many and varied and, in this case, they needed to make enhanced checks to ensure the person ordering the kitchen and ultimately paying for it wasn't a sanctioned individual. This they did by checking the identification documentation that was requested and provided by Mr J. So, I don't think HSBC acted unreasonably when they stopped the payment and requested further information on X.

Mr J has said that HSBC is Islamophobic. Whilst I appreciate this is his perspective, it is not my role to decide whether discrimination has taken place as a matter of law – only the courts have the power to decide this.

I have, however, considered the relevant law in relation to what Mr J has said when deciding what I think is the fair and reasonable outcome. Part of this has meant considering the provisions of The Equality Act 2010. But after doing so I've not seen evidence to indicate X was treated unfairly because of his religion or ethnic origin or because he had a Muslim name, And I don't think Mr J or H was treated unfairly either, so I haven't found that HSBC's behaviour was improper.

Mr J has said that H lost business as a result of having to request further information from X. He has said that H has lost in the region of £15,000. I appreciate this is a lot of money. As I've said before HSBC were entitled to stop the payment whilst they asked for further information from H about X. It follows I don't think they acted unfairly, and I won't be asking them to cover H's loss.

My final decision

For the reasons stated above I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 1 March 2024.

Esperanza Fuentes
Ombudsman