Ombudsman Decision
CIFO Reference Number: 24-000378
Complainant: Mr S
Respondent: HSBC Bank Plc, Jersey Branch

Mr S complains that HSBC Bank Plc, Jersey branch, closed his bank account without explaining why. A direct debit payment to his credit card company was not made and the account went into arrears causing Mr S's credit rating to be adversely affected.

Background

On 4 January 2023 HSBC wrote to Mr S giving 30 days' notice of the closure of his account and instructions to enable transfer of the balance to an alternative account. This followed a period during which the account had been restricted. The account was closed in March 2023.

Mr S had a direct debit payment set-up to pay the balance on his credit card due on 27 January 2023, but the payment was not made. Mr S said that the credit card arrears caused his credit rating to fall and caused him loss, so he complained to HSBC.

HSBC said that it had amended Mr S's credit file but the balance on his credit card remained and needed to be paid off. It also sought closing instructions to enable the balance of the account to be released and gave instructions as to the due diligence documents it required to verify Mr S. He remained unhappy and complained to the Channel Islands Financial Ombudsman (CIFO).

The adjudicator explained:

- HSBC was entitled to restrict and close the account.

[1] Financial Services Ombudsman (Jersey) Law 2014 Article 16(11) and Financial Services Ombudsman (Bailiwick of Guernsey) Law 2014 Section 16(10)

- Had Mr S followed the closure instructions he would have had access to his account balance and been able to settle his credit card bill.
- But Mr S had not been made aware of the restrictions imposed on his account prior to the direct debit due date.
- The letter of closure only gave 30 days' notice rather than the required 60 days, albeit the account did not in fact close until expiry of 60 days.

To try and put things right, the adjudicator recommended that:

- HSBC pay a total of £562.84 made up of:
    - compensation of £250,
    - one month's interest incurred on the credit card balance due to the missed payment of £57.84
    - a further month's interest for the additional month, rounded up to £60, likely to have been required to establish a new bank account elsewhere and,
    - the £195 annual credit card membership fee that HSBC had offered to pay.

Mr S remained unhappy and requested a Final Decision from an Ombudsman. In doing so, he said:

- The compensation proposed does not reflect the significant distress and negative impact on his financial well-being and believes HSBC's actions led directly to the closure of nearly all his other bank accounts.
- He would have received greater returns had he been able to hold his funds in an investment account.
- Two attempts to reclaim his funds in 2024 and April 2025 have been unsuccessful, and he has been unable to settle his credit card balance.
- That HSBC ought to be compelled to reverse all proceedings they have initiated to rectify his credit file to its former status and referred to the cancellation of bankruptcy proceedings commenced in the UK.

To assist Mr S the adjudicator arranged to obtain certified documents from him and re-submit them to HSBC which she did.

HSBC said:

- It did not agree with Mr S's assertion that HSBC's actions have led to closure of other bank accounts.
- It cannot locate any record of receiving instructions from Mr S to reclaim his funds until September 2025 which is being processed.

- As regards Mr S's credit file and bankruptcy proceedings, HSBC had not taken any bad debt action and referred to the credit card being a UK product handled by HSBC Card Services in the UK.

Findings

I have considered all the available evidence and arguments to decide what is, in my opinion, fair and reasonable in the individual circumstances of this complaint. Where necessary or appropriate, I reach my conclusions on the balance of probabilities; that is, what I consider is most likely to have happened, in light of the evidence that is available and the wider surrounding circumstances.

A bank is entitled to restrict an account and to end its banking arrangement with a customer without giving a reason. Account closure is a commercial decision with which CIFO cannot interfere, however, notice of the closure must be given in accordance with the terms and conditions applicable to the account.

In this case the notification was issued on 4 January 2023 stating the account would be closed in 30 days. The letter made no mention of the account having already been restricted, and this disadvantaged Mr S as he wouldn't be aware that pre-existing direct debits would not be processed while under restriction.

Mr S has not said he did not receive the closure letter but was unaware the direct debit payment to his credit card company would not be made. He said that when he received an alert from his credit card company he tried to make a payment via online banking but was unable to and then telephoned HSBC's helpline on 29 January, assured that the direct debit would be processed on 30 January. However, he was not told of the restriction and fell into arrears with the credit card company. I am satisfied HSBC made an error in not so advising Mr S that he couldn't use his account, and this resulted in him not being able to use the funds to pay his credit card.

Regarding the closure of the account, the relevant terms and conditions require 60 days' notice of a closure to be given, which would have extended until 4 March 2023, the date the account was closed. This is a reasonable period to enable the opening of a new account, but an error nonetheless, HSBC gave Mr S incorrect information.

The closure notification letter detailed the need to provide HSBC with an account closure form detailing another account to which the balance could be transferred. Mr S did not provide this and, instead, on 10 April 2023 asked HSBC to apply the balance to his credit card account. HSBC in its Final Response email of 28 April 2023 said "*We will also need your closing instruction in order to be able to release your funds back to you and send them to the account of your choice; please complete the following steps …*" A link was provided to the payment instruction form that required details of a bank account in Mr S's own name into which payment could be made. Had Mr S complied with that requirement he could have obtained transfer of the balance and paid his credit card bill. As such, I do not hold HSBC liable for the fact Mr S didn't have access to his balance after finding out the account was restricted.

The situation though was compounded by the fact HSBC failed to advise Mr S that his account had been restricted originally and so he wouldn't be able to carry out ordinary banking activities. His only way to access his funds was to have completed the account closure form. Taking all of this into account, I can understand why Mr S believed the direct debit to the credit card would complete as intended. As it did not, it is appropriate that Mr S should be compensated for the loss caused by the failure of the direct debit payment to his credit card company on 27 January as that was within the 30-day period outlined in the closure letter. However, I do not find that HSBC are responsible for any ongoing loss suffered as a result of the credit card balance remaining unpaid beyond the account closure date. This is because HSBC provided clear instructions on how Mr S could access his account balance.

To fairly put things right HSBC previously adjusted Mr S's credit file entry and has also agreed to refund the credit card annual fee of £195, which I agree with. But it should also take further steps to reflect the totality of the impact as a result of its errors in not specifically detailing the 60-day notice period and not advising Mr S that his account had been restricted.

In terms of related financial loss caused by not being provided with the required 60 days' notice of the intended closure of the account, HSBC must pay Mr S one month's interest accrued on his credit card balance at £57.84 as a result of the direct debit not being paid. And, a further month's interest, estimated at £60.00, for the additional period it is likely to have taken for Mr S to organize a new account and the transfer of the balance.

I also direct HSBC to pay Mr S £250 for the distress and inconvenience caused by not providing the required notification of account closure or that the account was restricted. In summary HSBC must pay Mr S the total sum of £562.84.

Insofar as Mr S's reference to the actions of HSBC leading to closure of other accounts and to bankruptcy proceedings, HSBC Jersey is a separate entity to the HSBC credit card company and to other banks or branches of HSBC in other jurisdictions. As such there is no evidence of any connection between the closure of the HSBC Jersey account and any subsequent action.

Regarding the remaining balance in Mr S's account, he has not yet provided evidence that the appropriate documents HSBC has requested to confirm his identification have been delivered to HSBC. Following the adjudicator's intervention, HSBC has confirmed that the reclaim is now being processed.

Final Decision

My final decision is that I partially uphold this complaint and require HSBC Bank Plc, Jersey branch, to pay Mr S £562.84.

Sean Hamilton
Ombudsman

Date: 14 January 2026