

The complaint

N, a company, complains that Revolut Ltd blocked payments into his account and returned the money to source.

What happened

N had an account with Revolut, which it opened in March 2021. N says it planned to use the account to receive payments from investors in exchange for shares in the company. Between 30 March and 1 April, N was sent 7 payments ranging from £10,000 to £100,000.

Revolut wanted more information about these transactions. It asked for various information on 31 March and 1 April. N provided some information. But on 6 April Revolut told N it would close the account. It returned three of the payments – one for £100,000 and two of £50,000 – to the senders of the funds. Meanwhile, it placed restrictions on the account so that N could only withdraw the remaining funds, which were around £50,000. In the process of doing this, Revolut sent N a message saying the restrictions had in fact been lifted. Dissatisfied with all of this, N complained to Revolut and then referred the complaint to us. Revolut offered £50 for the incorrect information about the account.

Our investigator looked at all of this. He felt Revolut could have been clearer about what it wanted. He recommended that Revolut pay N £450 for the inconvenience caused. Revolut agreed with the investigator. N disagrees. It thinks £450 is insufficient. It says that neither Revolut nor our investigator understands Revolut's obligations under the relevant money laundering regulations,. And it says that because of Revolut's actions, it lost out on an investment of US\$25,000 – and also needed to get another company in the group to hold N's funds on trust.

I issued my provisional findings on 24 August 2022. In my provisional decision I said:

- Financial businesses, like Revolut, are subject to a number of legal and regulatory requirements. These mean they have to monitor their customers' accounts and may need to review an account at any time. While that is happening, they may need to block or restrict any payments.
- I was satisfied that Revolut was acting in line with its legal and regulatory requirements when it reviewed N's account. The account was newly opened and had received a number of large payments ranging from £10,000 to £100,000. In the circumstances, I didn't find it surprising that Revolut wanted more information about the source of the funds.
- The terms and conditions of the account said Revolut could close and suspend accounts immediately in some circumstances, including where someone hadn't given it information it needed or where it was otherwise required to do so by law.
- Revolut asked N if it could provide shareholders agreements in connection with the shares. In response, N explained that, under the relevant regulations, it couldn't issue signed share certificates until the money had been transferred into the account – and so as the money hadn't been placed into the account it couldn't issue the certificates.

N said “this puts us in a very difficult situation as in order to provide you with these signed certificates we would be in breach of HMRC regulations and so would forfeit the investments”.

- I could see why Revolut found this response unsatisfactory. For one thing, Revolut never asked N for share certificates. I think it was plain that Revolut wanted to see some form of written agreement showing that the investors had agreed to subscribe to shares in N.
- It also appeared that N anticipated that its shareholders would sign an agreement at or around the same time that they paid over the funds. I’d seen an email from N’s tax advisors saying that “once the investor agreements are signed and funds received” N could issue the shares and file the necessary compliance forms.
- We’d asked N for further explanation about to show what had happened, but N hadn’t provided this. We’d also asked N for any further details about the issue of the shares, but N hadn’t supplied this.
- Revolut has asked N for information which N hadn’t been able to provide. It appeared that N expected investors to sign investors agreements, but N claimed that providing this information was illegal. As such, I didn’t think Revolut’s decision to close the account was unreasonable – and nor did I think it was unfair for Revolut to have blocked and returned the relevant payments.
- I then considered whether Revolut had treated N unfairly in any other respect.
- I thought it was reasonable for Revolut to review the account and restrict it while the review took place. So while I didn’t doubt this was inconvenient, this isn’t something I can award compensation for. The review itself was carried out without undue delay: Revolut asked for the information on 31 March and had notified N that it planned to close the account by 5 April. Given that the intervening period included the long Easter weekend, I can’t say that Revolut could have completed this any quicker.
- I noted that N says this caused it some reputational damage and embarrassment, as it has had to explain to investors that it is using another company’s bank account and had to account for these funds separately. It says it lost out on further investments it had lined up – including an investment of US\$25,000. But as I’d concluded Revolut acted fairly in restricting and closing the account, this wasn’t something I could award compensation for.
- I also noted that N was a limited company – so although I can award compensation for the impact Revolut’s actions had on N, this doesn’t include any separate impact it had on the directors or the shareholders. N’s director and shareholders also felt strongly that Revolut’s actions have delayed what it sees as important work – and that Revolut was trying to “cover up” failings in its own processes. I said nothing I’d seen suggests Revolut was trying to cover up anything. But any compensation I award isn’t to punish the business but to reflect the impact its actions had on N.
- Finally, I noted that Revolut, while it was removing restrictions on the account to allow N to withdraw the funds, sent N an email saying it had lifted the restrictions on the account. Revolut had in fact already told N that the account should be closed. Revolut had offered to pay N £50 in respect of this. Given what I’d said about N being a limited company, I thought this was likely to be a fair resolution to this part of the complaint.

I said I’d consider any further comments I received by 21 September 2022.

Revolut agreed with my provisional decision. N didn’t agree for a number of reasons. In particular, it said I’d misunderstood the situation with the shares and documentation. But it

also says its main concern was really with Revolut's lack of communication and its inability to discuss the issue with them. When they tried to raise these issues with Revolut in the chat, they found that that Revolut's agents kept repeating their request. N says that it was in a position to provide alternative information, including evidence from its legal advisers. It notes that when it later opened a bank account elsewhere it didn't face these issues. N has also provided additional information about the loss of investment and the impact this had on its work.

I've therefore considered the complaint 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.

I've carefully considered the points N has raised in response to my provisional findings. But they don't change my overall conclusions. I'll explain why.

For the same reasons I gave in my provisional findings, I'm satisfied that Revolut was entitled to block and review the payments into the account. In doing so, I'm satisfied Revolut was acting in line with its legal and regulatory requirements. N has explained that, by the standards of the sector in which it operated, these payments weren't that large or unusual. Nonetheless, these payments ranged from £10,000 to £100,000, and so it's unsurprising that Revolut wanted further information about these.

N has now provided more information about why it couldn't provide the information Revolut requested. N has told us that its investment round sought funds from smaller investors known personally to the company, and so did not involve the same level of formality as would have been the case for venture capital or larger investors. N says it would receive the investment first, which would then be followed by signatures from both parties on the share issue agreement. And it says that had Revolut asked, it could have provided details from its legal representatives explaining all this.

Given what N has told us, I can see why it had difficulties providing the paperwork Revolut asked for. There still remains a dispute about precisely what Revolut wanted: N states that Revolut asked for share certificates. N says it couldn't issue the share certificates until they were fully paid up – this is both because the shareholder would then otherwise remain liable to the company for the value of the shares, and because of the rules that applied to the SEIS and EIS tax schemes. I've looked further at this. Revolut's records say it initially asked:

“Please provide us with some clarification and supporting documentation that can help us understand your activity.”

It then asked:

“Can you please provide invoices/agreement related to the mentioned transactions?”

Revolut then asked N to provide an agreement with one of the investors. Finally, it asked N to provide a “signed shareholders agreement”.

It was in response to this last question that N's director explained that N couldn't do this. He wrote: “Before we can issue any signed share certificates we must show that the money has been transferred into the account”.

Based on what I've seen it appears it was N, not Revolut, who first raised the issue of share *certificates* – though based on what N has said, it seems N didn't expect the share issue agreements to be signed until after it had received the funds either.

After completing the review Revolut decided to close N's account. For the reasons I gave in my provisional decision, I'm not persuaded this was unreasonable, given N's inability to provide requested documentation. I can see why N's director and shareholder found the communication from Revolut frustrating. I fully appreciate the difficulties N has providing this information. But I can't say it was wrong for Revolut to have asked for this information – and given N said it couldn't provide this, I can't say Revolut was wrong to then close N's account or return some of the funds to its sender. I'm satisfied in doing so Revolut was acting in line with the terms and conditions of the account and its legal and regulatory obligations.

I've gone on to consider whether Revolut has treated N unfairly in any other way.

One of N's shareholders has told us he's concerned in particular by the poor communications from Revolut. He feels all of this could have been sorted out if Revolut had been willing to discuss matters. He says that N has subsequently applied for banking facilities with a mainstream bank, which was willing to work with N to agree acceptable alternative documents.

But while I appreciate that N feels strongly that Revolut should communicate differently, Revolut's main method of communication is online. And that's a method of communication N agreed to when it opened the account with Revolut.

Revolut has offered to pay N £50 as some of the information it sent N was misleading. I've thought about whether Revolut needs to do more.

I've concluded that Revolut acted fairly in reviewing, blocking and then closing N's account. I don't doubt this caused inconvenience. But this inconvenience was inevitable, and it's not something I will award compensation for. N also says that a potential investor withdrew a \$25,000 investment as they were unable to make the payments into N's account. But that's a matter between N and its investor – it's not something I can fairly hold Revolut responsible for.

We've heard N's shareholder, who has explained in more detail the impact he says Revolut's actions have had. But much of what he's described relates to the frustration and inconvenience Revolut's actions caused him personally.

As I explained in my provisional decision, as N is a limited company it cannot experience pain, suffering or distress. I can consider the impact Revolut's actions had on N directly, but I cannot award compensation for the impact its actions had on N's shareholders or directors personally.

But Revolut has offered to pay N £50 to reflect the inconvenience caused by the incorrect information it gave. I recognise the information Revolut sent N about removing restrictions from the account was unhelpful – it said it had removed restrictions from the account when it had in fact decided to close the account. Given what I've said above, I can't see that has necessarily affected N's position – the account would have closed anyway. Nonetheless, as Revolut accepts that something has gone wrong and has made an offer to put things right, I award amount this in my decision. I make no further award.

My final decision

I uphold the complaint in part. Revolut Ltd should pay N the £50 it has offered if it hasn't

already. I make no further award.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 14 December 2022.

Rebecca Hardman
Ombudsman