

The complaint

E, a company complains that TransferWise Ltd closed its account. They withheld E's funds whilst they carried out a review. E would like a reason and compensation.

E is represented by its director Mr B.

What happened

E had a business account with Wise.

Mr B has complained about the closure of his personal account with Wise. This is being dealt with as a separate complaint.

On 29 July 2021 Wise closed E's account. Wise carried out a review and E didn't have access to the funds in the account.

Mr B has said he was on holiday abroad when the account was closed.

Mr B was told Wise were carrying out a due diligence exercise on the funds left in the account which could take up to 60 days.

Mr B complained to our service.

E's funds were returned to E on 29 October 2021 and they were paid into a nominated account with an institution I will refer to as T.

Mr B has said that as a result of the closure of E's account he had to open an account with a different provider, T. He told us he had lost a potential contract because the client couldn't make payments into the new business account as it didn't accept international payments and the client wasn't based in the UK.

One of our investigators looked into the complaint. He said Wise were able to close E's account in line with the terms and conditions. He thought Wise could hold onto funds whilst it reviewed the account to comply with its legal and regulatory obligations. Our investigator agreed that there had been some delays and considered the impact of these delays on E. The investigator thought that the reason for the loss of business was that the new account wasn't able to accept international payments and this wasn't something Wise should be held responsible for.

Mr B was unhappy with the view.

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.

Account Closure

As the investigator explained it's generally for banks to decide whether or not they want to provide, or to continue to provide, banking facilities to any particular customer. Unless there's a good reason to do so, this service won't usually say that a bank must keep a customer or require it to compensate a customer who has had their account closed.

Financial institutions should, however, give reasonable notice before closing an account. Usually that means 60 days' notice, but it can be less depending on the circumstances. I can see that Wise contacted Mr B on 29 July 2021 and let him know it had closed E's account immediately. They were also carrying out a due diligence exercise on the funds in the account.

I've considered whether Wise acted fairly in closing E's account. I've looked at the terms and conditions of the account and I'm satisfied they did. The terms and conditions outline that Wise can close a customer's account with two months' notice, and in certain circumstances they can close an account immediately. In this case Wise closed E's account without notice. For Wise to act fairly here they needed to meet the criteria to apply their terms for immediate closure – and having looked at these terms and all the evidence I'm satisfied that Wise has applied the terms fairly. And it was entitled to close the accounts as it's already done.

I also note that Wise carried out a due diligence exercise on the funds remaining in the account.

UK legislation places extensive obligations on regulated financial businesses. Financial institutions must establish the purpose and intended nature of transactions as well as the origin of funds, and there may be penalties if they don't. This applies to both new and existing relationships. These obligations override all other obligations. I am satisfied Wise were complying with these obligations when they reviewed E's account. In addition, I have checked the terms and conditions and I am satisfied Wise were entitled to do this. So, I don't think they have done anything wrong here. In carrying out the review Wise were following an internal process which they carried out in order to comply with their legal and regulatory obligations. This was a legitimate exercise so I can't say Wise was unfair.

Return of funds

E's funds were returned on 29 October 2021 to an account Mr B had nominated. I am satisfied that E has had its funds returned.

Delay

Looking at the evidence I can see that Wise could have completed their review sooner. Because of this I have gone on to consider the impact that this delay had on E.

Mr B has told us that E had an order cancelled because the client wasn't able to make payment into E's account as the new account wasn't accepting international payments. I can see that the date of this email is 5 November 2021. At that time the funds had already been released to E. I appreciate that the account Mr B opened for E didn't accept international payments and the prospective client pointed to that issue for the cancellation of the contract.

I appreciate that E lost business as a result of the closure of the account by Wise. But as I've said above, I'm satisfied that Wise acted fairly when they closed the account. I can't see that the delays by Wise caused the loss of business to E.

I also can't hold Wise responsible for the cancellation of the contract because they can't be

held liable for the way the new account provider chose to run its business or where Mr B decided to apply for a replacement account.

In summary Wise acted fairly when they closed the account and withheld funds whilst they carried out a review. And although there were some delays in carrying out the review, I don't think the delays caused the loss of business Mr B has told us about. It follows I won't be asking Wise to pay compensation to E.

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 E to accept or reject my decision before 16 August 2022.

Esperanza Fuentes
Ombudsman