

The complaint

Miss A complains Modulr FS Limited unfairly stopped her using the account she opened and hasn't returned her funds. She wants the funds returned and compensation for the loss and distress she says she experienced.

What happened

Miss A held an account with a firm for which Modulr FS Limited is responsible as principal. She wanted to use the account to trade cryptocurrency which she says she has traded for a number of years.

She made a large deposit from a current account she held with a third-party bank to her Modulr account, but when she tried to commence trading she discovered she couldn't. Meanwhile her bank closed her current account.

Modulr at first told Miss A there was a technical error. It then said the problem was due to suspicious activity on her wallet and it needed her to open another account and verify herself, which she did. She was then asked for source of funds information about the large deposit she made and to provide bank statements from her former bank.

After receiving the statements, Modulr asked Miss A for information about two large payments into her current account which she received the same day she deposited the funds to her Modulr account. It asked for evidence to show where the payments came from. Miss A said the payments were from selling cryptocurrency, but the trading platform she used no longer held the records for the transactions in question. Modulr then appears to have told her it would transfer her funds to the new account she had verified.

Modulr later decided to close Miss A's account immediately and return the funds it held to Miss A's former bank. Miss A told Modulr her former bank had no record of the funds being returned and the payments would have bounced back because her current account had been closed.

Our investigator didn't uphold Miss A's complaint. They concluded Modulr could close her account immediately in line with its terms and conditions. They also concluded Modulr's decision to send the funds back to her former bank was in line with its legal and regulatory obligations, and it had returned the funds.

Miss A asked for a final decision from an ombudsman, so her complaint was given 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've decided not to uphold Miss A's complaint. I'll explain why.

Modulr has important legal and regulatory obligations it must meet when providing accounts to customers, including fiat currency and cryptocurrency wallets. Those obligations are ongoing and don't only apply when an account is opened. They can broadly be summarized

as a responsibility to know their customer and verify the origin of their sources of income, which can include occasional transactions, such as large deposits.

Modulr will review accounts to comply with its responsibilities. And, it's common industry practice for firms to restrict access to accounts to conduct a review - doing so helps prevent potential breaches of its obligations that could otherwise arise. So, I'm satisfied Modulr's decision not to initially allow Miss A access to the funds was fair.

Miss A said the two large payments she received into her current account – the account used to fund her Modulr account - represented payments from selling cryptocurrency. But she didn't provide transactional records to demonstrate the payments in question derived from this activity. She says this was because the trading platform she used doesn't retain records after a period of time. This may be so, but this didn't mean Modulr should have been satisfied about the source of the payments, considering the important obligations it has. Neither do I find her having a good reputation from trading cryptocurrency on other platforms lessened those obligations.

I understand Miss A's disappointment when Modulr told her it was going to send the funds back to her former bank when it had previously indicated it would release the funds to her. And, I was sorry to hear how she said she was affected in terms of her business and her wider financial and personal circumstances. But on balance, I'm satisfied Modulr acted in line with its legal and regulatory responsibilities, and it wouldn't be reasonable to direct it to pay her compensation based on the individual circumstances of her complaint.

I'm satisfied the information available to me establishes that Modulr returned the funds to an account belonging to her former bank, and it's clear the funds didn't bounce back. Miss A has subsequently received a final response letter from her former bank which confirmed it received the funds, but it's not returning them to her.

What Miss A's former bank has done with the funds it received is not Modulr's responsibility. Miss A has brought a complaint about her former bank to our service, which is currently being investigated, but that complaint has no bearing on my findings in relation to Modulr.

Modulr could also decide to end its customer relationship with Miss A at any time. Generally, our service would not interfere with a firm exercising its commercial discretion. I have, however, considered Modulr's reason(s) for closing her account and I'm satisfied its decision was legitimate and the account could be closed immediately.

My final decision

I have decided not to uphold Miss A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss A to accept or reject my decision before 28 November 2022.

Liam King
Ombudsman