

The complaint

E, a limited company complains that PrePay Technologies Limited (PrePay) unfairly refused to open a business account.

E, through its director, Mr M, wants PrePay to apologise, explain why it refused to open the account and pay compensation for the time taken and the stress caused.

What happened

E applied for an account in early 2022 but PrePay declined its application. Mr M thought that PrePay's decision might be racially motivated.

After E complained to this service, PrePay told the investigator that it rejected the application based on the checks that it carried out and its internal criteria. This included information from Cifas, the fraud prevention service. As PrePay wasn't prepared to share details of what evidence it had reviewed, the investigator couldn't decide whether PrePay had treated E fairly. So, the investigator asked PrePay to pay E £100.

PrePay doesn't agree with the investigator's recommendation. It says by requiring PrePay to provide evidence of the information it relied on to reach its decision, this service is putting PrePay in an unlawful position. And that we could instead ask for the information from Cifas.

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 realise that I've summarised this complaint in less detail than the parties and I've done so using my own words. I've concentrated on what I consider to be the key issues. The rules that govern this service allow me to do so. But this doesn't mean that I've not considered everything that both parties have given to me.

As the investigator has already explained to Mr M, E is a limited company and so, its own legal entity. This means I can't consider the distress that Mr M has felt personally. I also can't tell PrePay what processes it must follow when considering any applications for a new account. I can only consider whether PrePay acted fairly and reasonably towards E when assessing its application.

I appreciate the need for PrePay to act in line with its regulatory framework but it's possible – as we've told PrePay – for it to share information with us on a confidential basis. Without seeing the evidence myself, I can't reasonably find that PrePay treated E fairly and in line with its usual processes.

I appreciate that Mr M is concerned that racial discrimination may have played a part in PrePay's decision to decline E's application but based on what I've seen, I can't say this was the case. As the investigator told E, the reports that PrePay relied on to make its decision wouldn't have taken account of Mr M's race or ethnicity.

Cifas is a publicly searchable database, so Mr M may want to make a data subject access request to find out what information it holds. My understanding is that this can be done online via the Cifas website. But just because it's possible for Mr M to ask for this information, doesn't mean that PrePay shouldn't have shared it with this service in the first place.

Overall, I agree with the investigator that it's reasonable to require PrePay to pay E £100 compensation in recognition of the uncertainty E has been left with about the reasons its application failed. Although Mr M wanted PrePay to pay significantly more than this, I think £100 is fair and reasonable – particularly as I can't compensate Mr M for any upset that's been caused to him personally.

Putting things right

I require PrePay Technologies Limited to pay E £100.

My final decision

My decision is that I uphold this complaint. In full and final settlement, I require PrePay Technologies Limited to pay E £100.

Under the rules of the Financial Ombudsman Service, I'm required to ask E to accept or reject my decision before 12 September 2022.

Gemma Bowen
Ombudsman