

The complaint

Mr F complains about Revolut Ltd's actions when reviewing and then closing his account.

What happened

Mr F held an electronic money account with Revolut. In August 2020 they got in touch with him through the in-app chat to ask about a payment into his account but did not receive a response.

In November 2020 Revolut blocked Mr F's account while they carried out a review. They subsequently took the decision to close the account. The funds that remained on the account – including those held in overseas currency – were returned to Mr F's bank account.

Mr F raised a complaint – saying that the situation was frustrating and inexplicable. He asked for details of the exchange rates used to transfer the funds back into Sterling, as he no longer had access to these records. Revolut investigated but didn't feel they had done anything wrong. They said some of the account activity had triggered concerns, which led to the review and closure. They said certain aspects on his usage hadn't conformed to their policies and referred him to their terms.

Unhappy with this, Mr F referred the complaint to our service. Before it was investigated, Revolut offered £20 to resolve the complaint, but he declined this.

One of our investigators looked at what happened but didn't feel the complaint should be upheld. She said Revolut have legal and regulatory obligations to meet, and they hadn't seen anything to suggest the decision to block and then close the account was unfair. She said she felt they were entitled to close the complaint immediately.

Mr F responded to say he understood Revolut have regulatory responsibilities, and that the location of the transactions would have raised flags. But he doesn't accept the absence of explanations, or the failure to engage.

As no agreement could be reached, the complaint has been passed to me to decide. Having reviewed the evidence, I felt the complaint should succeed. I issued a provisional decision that said the following:

It's right that Revolut, like all financial firms, have a right to decide who they do business with. They are also entitled to review accounts and block transactions, in line with their legal and regulatory requirements. They can also close accounts for any reasonable reason and aren't under any obligation to explain their reasons for doing so, as long as they comply with the terms of the account.

However, the reasoning Revolut choose to close an account should be a reasonable course of action based on the circumstances of what's happened. Having reviewed the evidence, I'm not satisfied Revolut have demonstrated that this is the case.

Mr F's account was restricted without notice, then closed several weeks after. But as he had no access to the account, nor could he make any transactions, I consider it in practice to be closed with no notice.

Revolut haven't given Mr F any details about why they restricted and closed the account, beyond saying certain aspects of his usage didn't conform to their policies and directing him to sections 23 and 24 of their terms.

Section 23 says that Revolut can block an account to meet their legal obligations. Section 24 says they may close or suspend an account so long as they give two months' notice – which is in line with the regulations and general banking practice. But the terms also say they can block or close the account with no notice in "exceptional circumstances". The terms then list the following examples of exceptional circumstances:

- if we have good reason to suspect that you are behaving fraudulently or otherwise criminally;*
- if you haven't given us (or someone acting on our behalf) any information we need,*
- or we have good reason to believe that information you have provided is incorrect or not true;*
- if you've broken these terms and conditions in a serious or persistent way and you haven't put the matter right within a reasonable time of us asking you to;*
- if we have good reason to believe that your use of the Revolut app is harmful to us or our software, systems or hardware;*
- if we have good reason to believe that you continuing to use your account could damage our reputation or goodwill;*
- if we have asked you to repay money you owe us and you have not done so within a reasonable period of time;*
- if you've been declared bankrupt; or*
- if we have to do so under any law, regulation, court order or ombudsman's instructions.*

I've thought carefully about these points, and I'm not satisfied any of these apply in Mr F's circumstances.

In August 2020 Revolut asked Mr F for information about a payment into his account, and I accept Mr F did not respond to these messages. But I also note the last message sent to Mr F, sent on 18 August 2020, read "[Mr F], I have not heard from you in a little while. When you are ready to pick this up again, come back online and one of my colleagues or I will be able to assist you further. Have a great day!"

A reasonable person reading this would not have taken this to mean any information requested was particularly urgent, or even necessary. There is also no suggestion that without providing this information the account may be blocked or closed, which is what I'd reasonably expect to see.

While I appreciate Revolut aren't obliged to tell their customers about any blocks or reviews, it's usual practice for an investigation to take place including asking the customer – in this case, Mr F, for further information. Revolut carried out all contact through the in-app chat, which I understand is their preferred method. But they also had other contact details for Mr F that they could have tried, if they felt the information requested was urgent or essential.

Revolut did not question Mr F any further around this issue after the account was blocked. It would seem unreasonable to suggest Mr F has withheld important or relevant information. The account was used sparingly, and there hadn't been any transactions in over a month

leading up to the account being blocked. This doesn't suggest to me that any account monitoring would have shown there was a pressing and urgent need for the account to be blocked or closed.

Having reviewed the evidence supplied by Revolut, I've seen nothing to satisfy me the circumstances met any of the examples given of exceptional circumstances. I can't see any reasonable justification for closing Mr F's account in the manner they did.

I've considered further information given to our service by Revolut and having reviewed it, I'm not satisfied they carried out an appropriate level of due diligence when making the decision to close the account. Had they conducted a more thorough investigation, or asked further questions of Mr F, I'm minded to believe they wouldn't have made the decision to close his account. I'm satisfied they've treated him unfairly.

However, Revolut can make the decision to not have Mr F as a customer, so I won't be asking them to reopen the account.

I've gone on to think about the impact this overall situation on Mr F. I've no doubt this was an upsetting experience for him and caused him a degree of inconvenience trying to resolve. But this is also mitigated by the fact this doesn't appear to be Mr F's main account – as previously mentioned it was used sparingly, mostly for transactions in foreign currency.

Mr F held foreign currencies on the account, which Revolut converted to Sterling before returning to him. He may have been able to transfer these funds to a different currency account provider or exchange them at a more preferential rate. As the exchange rate can fluctuate over time, and it's impossible for me to know when Mr F would have transferred or exchanged these balances, I can't say for certain whether he did or did not suffer a financial loss. But Mr F seems to have deliberately held the foreign currency in the expectation it would be used. I accept it would be inconvenient for Mr F to have to rearrange any foreign currency transactions he wanted to make, so while I can't fairly reimburse Mr F for a financial loss, I have considered this as part of the overall compensation.

I can also see Mr F requested details of the exchange rates used, and for statements going back to the start of 2020, as he had lost access to them when the account was closed. I consider these to be reasonable requests, and it seems to be unreasonable that Revolut did not respond adequately to them.

Overall, I'm satisfied Revolut weren't reasonable in closing Mr F's account, and this has caused him material distress and inconvenience. Because of that, I think they should pay him £250 compensation.

Mr F accepted the provisional decision. Revolut disagreed, saying that they don't believe they acted unfairly in closing the account. They said that they only offer online services, so they felt the methods of trying to contact Mr F were reasonable. They said that there was also some responsibility on Mr F to respond to the request for information, and the requests for information would have prompted a reasonable person to attempt to clarify the situation with them.

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.

Having done so, I'm satisfied with the conclusions I reached in the provisional decision, for broadly the same reasons. While Revolut have the right to review and close accounts held

with them, they still need to demonstrate that this was a reasonable course of action to take. But, from what I've seen, I don't see this is the case.

As Mr F's account was fully restricted before the decision to close it was taken, I consider in practice it was closed with no notice. Under the terms this can only happen in "*exceptional circumstances*". I've re-reviewed the terms, and I can't see that any of the examples of exceptional circumstances apply in this instance.

On reviewing the messages sent by Revolut, I agree with them that the initial messages make a clear request for further information from Mr F on a particular transaction. And it would have been reasonable for Mr F to respond to this at the time. However, it is the final message that was sent that I highlighted that would leave a reasonable person with the impression that the request wasn't urgent or essential. So, I can see why Mr F didn't respond to this any further.

This impression would be reinforced by the fact that it took several months before Revolut took any further action. If there were any urgent issues, I would expect them to act much quicker than this. There has also been no further comment on why they didn't ask any further questions when the account was restricted, which would have been a reasonable course of action.

I've taken on board what Revolut have said about their communication methods, and that their standard process would be to contact Mr F using the in-app chat, rather than any alternative method available. However, I also note the term explaining how they'd communicate with consumer says they will "*usually communicated with you through the Revolut app*". This suggests to me that while the app is preferred, there may be occasions another method is used. And in any case, that would have been a fair and reasonable course of action.

Based on the information given to our service by Revolut I can't see that a reasonable level of investigation was carried out before making the decision to close Mr F's account. I'm minded that an appropriate level of due diligence would have likely led them to a different conclusion. I still can't see a reasonable justification for the actions they took. I'm satisfied they've treated Mr F unfairly.

Mr F didn't use the account regularly, so the disruption caused to his day-to-day spending was minimal. But he did hold foreign currency with Revolut, in the expectation that it would be used, which they returned to him in Sterling. For the reasons explained in the provisional decision I can't say for certain if this caused him a financial loss or not, but I accept that this would be inconvenient for him. I've also seen nothing to suggest Revolut responded to Mr F's reasonable request for details of the exchange rate used, and or a closing statement. The service provided to Mr F has fallen well short of what I'd consider to be reasonable.

On that basis I'm satisfied Revolut have been unreasonable in the way they closed Mr F's account, and he's suffered material distress and inconvenience from this for which compensation is appropriate. Overall, after considering the impact on Mr F, I consider an amount of £250 to be reasonable.

My final decision

My final decision is that Revolut Ltd must:

- Pay Mr F £250 compensation for the distress and inconvenience this matter has caused.

- Supply him with a closing statement, showing the amounts in foreign currency held and the exchange rate used to return them.

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Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 21 September 2022.

Thom Bennett
Ombudsman