

The complaint

Mr E complains that Wise Payments Limited (Wise) rejected two credits to his account.

What happened

On 23 March 2022 and then on 25 March 2022, two credits for Euro300 and Euro700 respectively were sent to Mr E's account with Wise. Both were sent from a person in Russia and from a Russian bank (A). Both payments were suspended and weren't credited to Mr E's account and were then sent back to the sender's account on 6 April 2022 (Euro700) and 26 April 2022 (Euro300).

Mr E complained. He said the Russian bank A wasn't subject to sanctions and therefore the payments should've been allowed and not sent back. He said his Wise account was suspended and couldn't be used. He said he assumed that because he had a Russian name, he had been identified as such by Wise and discriminated against. He said his losses were Euro1,000 and said Wise should refund the money and pay him for stress and inconvenience.

Wise didn't uphold Mr W's complaint. They said that sanctions against A bank were imposed on 24 February 2022 and therefore the credits were returned. Wise said Mr E's account wasn't suspended.

Mr E didn't agree. He brought his complaint to us. Our investigator said Wise acted reasonably. Wise's terms and conditions included the right to make due diligence checks on customers. Mr E's account wasn't suspended. Most importantly, sanctions were placed on A bank on 24 February 2022 – a month before the credits were sent to Mr E's account. Wise's Acceptable Use Policy (within the Customer Agreement) said Wise would not process transactions connected, directly or indirectly to individuals, entities or countries which are subject to international sanctions. So he said - Wise were entitled to return the credits.

Wise realised during our investigation - there had been some errors in their communications with Mr W and offered compensation of £150.

Mr E didn't accept Wise's offer. He argued that as of 25 March 2022, there wasn't any restriction on receiving payments from A bank – that the prohibition affected only transferable securities or money market instruments. And he showed to us a document from HM Treasury's Office of Financial Sanctions Implementation dated 1 March 2022 – he said this gave A bank the authority to continue to make payments.

Mr E asked that an ombudsman look at his complaint. So – it has come to me to do that.

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.

It is for Wise to decide on its commercial strategy as to how to run its payments business –

and we can't make Wise change its policies or procedures. But we do say if a customer has, or hasn't, been dealt with fairly and reasonably – based on the individual circumstances of their complaint.

I've read what Mr E has said in detail. And we went back to Wise with the points he's made – as I wanted to get absolute clarity.

It's not in dispute that if applicable, Wise can stop doing business with banks which operate in a sanctioned territory. That's included in Wise's Acceptable Use Policy section 1.2.3 which says: "*1. Restricted activities...Unsupported businesses and transactions...Other restricted activities...Individuals, entities, or countries subject to international sanctions.*".

The crux of Mr E's complaint is that Wise were wrong to stop dealing with A bank in the light of the sanctions documents applicable at the time of the credits – on 23 March 2022 and 25 March 2022. Wise say they stopped doing business with A bank on 24 February 2022 – we have seen internal communications from Wise that say that.

Wise quoted the sanctions document dated 1 March 2022 – which said A bank was subject to sanctions. It said "*Sanctions imposed: Asset freeze, prohibition on correspondent banking and sterling clearing...*" Mr E argues that that doesn't include payments. But I think it's reasonable for me to say that 'sterling clearing' would include payments. And in any case, an 'asset freeze' would also include a stop on payments out of A bank.

Mr A also quoted the HM Treasury document dated 1 March 2022 – it referred only to A bank – and he said it allowed A bank to continue to make payments. I looked at it said "*A UK credit or financial institution may process a sterling payment to, from or via (A bank).*" The licence expired on 31 March 2022 – so it seemed that Mr E had a point here. We put the document back to Wise.

Wise said there was a further document dated 4 March 2022 from Office of Financial Sanctions Implementation HM Treasury – and this was a 'wind-down' document which allowed for a 'transition period' to 3 April 2022. It said that firms could deal with A bank in the interim "*...for the purposes of winding down that activity.*" In other words, there could be some business done with A bank – but only for the purposes of winding activities down.

Wise said that due to their risk appetite, they decided to cancel the deposits because A bank was already in a wind down period before becoming an officially sanctioned entity – which then happened on 6 April 2022. Wise said if they allowed payments to be received during the wind-down period, they ran the risk of transfers being blocked by their partner banks.

I've considered this - and I think that was a fair and reasonable approach to take – in the circumstances of the extraordinary events of the war. That affected the credits to Mr E's account, but in the circumstances of his complaint, I think that was a reasonable thing for Wise to do.

Mr E has said his account was suspended – Wise told us it wasn't, but there wasn't any activity during the period in question. I saw no evidence in our investigation of any unfair or discrimination towards Mr E – the fact that his account wasn't blocked confirms that for me.

I could see that there were two errors when Wise communicated with Mr E. Firstly, they told him that one payment had been credited to his bank account and it hadn't – it was still held in suspense with Wise. And he was also told that the reason for the rejection of one credit was due to a missing IBAN number on the payment. They apologised for this and offered Mr E compensation of £150. Mr E rejected this – but it is still available if he wishes to accept it.

My final decision

Wise has already made an offer to pay £150 to settle the complaint. Mr E should contact Wise directly if he now wishes to accept this.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 9 February 2023.

Martin Lord
Ombudsman