

The complaint

Y a company complains that Epayments Systems Ltd blocked its account and it wasn't able to access its funds. Y would like compensation.

Y is represented by Ms T.

What happened

The facts which led to Y bringing this complaint to our service are well known to both parties, so I am not repeating them in full here.

In summary, Y has an Epayments account. On 11 February 2020 the regulator, The Financial Conduct Authority (FCA) placed limitations on Epayments. This meant Epayments were unable to process any transactions until the limitations were lifted. Because of this, Y couldn't access its money. The original restrictions were lifted on 23 February 2022 and Epayments began the process of reviewing customers' accounts and refunding customers.

In September 2022 Epayments announced they were closing their business and they started reviewing their customers' accounts in line with their legal and regulatory obligations before processing payments.

On 11 November 2022 Epayments temporarily suspended processing payments following a request from the FCA.

Y has been deprived of its funds since 11 February 2020. Ms T has said that two payments for €19,800 and €4,900, were made from the account. Y said these payments weren't authorised. Epayments have agreed that Y didn't authorise the payments, and they've now been refunded to the account. But due to the restrictions on Epayments, Y haven't been able to access this money.

Y complained to our service.

One of our investigators looked at the complaint. He said Epayments were responsible for the limitations placed on them by the regulator and they should compensate Y for the time it hasn't had access to its funds. He awarded Y 8% interest for the time Y has been deprived of its funds, as well as £150 for the inconvenience of not having access to its account.

Y agreed with the view. Epayments disagreed with the view.

Epayments put forward an alternative offer to Y to settle the complaint. Y rejected the offer.

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.

As a regulated business, Epayments have certain obligations which they must comply with. They are subject to regulation by the FCA. The FCA applied restrictions on Epayments for reasons widely publicised and also detailed on their company website. As a result, Epayments suspended their operations. This had a significant effect on Y. It meant that since February 2020 Y was unable to access its funds.

Once Epayments agreed to suspend their operations to carry out the work required of them by the FCA, there was nothing they could do to process any requests Y may have made.

Epayments aren't in a position to refund Y's money whilst the restrictions apply. But once these are lifted, I would expect Epayments to refund Y the funds in its account. This includes the two disputed payments mentioned above. I understand Epayments have informed Y the payment for €4,900 has been returned to Y's account. Epayments also agreed to refund the second amount for €19,800 Y's account. The refund of funds in the account would be subject to the usual identity and know your customer (KYC) checks needed, so that Epayments can comply with their legal and regulatory obligations.

In addition, Epayments should pay interest on the funds in Y's account. Epayments have suggested they shouldn't be held liable for the delays in being able to return Y's funds, as this was due to restrictions placed on them by the FCA.

But I disagree. The reason why Epayments had to suspend their operations was due to failures on their part and it would be unfair for Y to be impacted because of this. As a consequence, Epayments should be held liable for the delays in Y not being able to access its funds.

At this stage the restrictions on Epayments have yet to be lifted. Our service usually awards interest on funds the account holder is deprived of, and our investigator has said Y should be paid 8% simple interest for the period of time it hasn't had access to its funds. I agree with this award for the reasons stated above.

Our investigator also agreed to give Y compensation of £150 for the inconvenience Y suffered for its account being blocked for so long. I agree this is a fair amount and in line with our awards for this type of case.

In some cases, Epayments or their banking partner may charge currency conversion fees and commissions when refunding account balances. In Y's case, I don't think it should have to pay any currency conversion fees or commissions for accessing the funds in its account. If Y has been charged any such fees or commissions, I require Epayments to refund these.

My final decision

For the reasons stated above I uphold the complaint. I require Epayments Systems Ltd. to:

- Refund the money in Y's account including the disputed payments referred to above by making payment to its nominated bank account.
- Pay Y 8% simple interest on the money in Y's account, calculated from 11 February 2020 to the date they refund the account balance to Y.
- Pay £150 compensation for the inconvenience caused to Y.
- If any currency conversion fees, or other fees/commissions are charged by Epayments or their banking partner during the refund process, these should also be refunded.

Epayments must pay the compensation within 28 days of the date on which we tell it Y accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the date of my final decision to the date of payment at 8% a year simple.

If Epayments considers that it's required by HM Revenue & Customs to deduct tax from that interest, it should tell Y how much it's taken off. It should also give Y a tax deduction certificate if Y asks for one, so it can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Y to accept or reject my decision before 20 June 2023.

Esperanza Fuentes
Ombudsman