

The complaint

Mrs I complains that Epayments Systems Ltd blocked her account and she wasn't able to access her funds. She'd like compensation for the impact.

What happened

The facts which led to Mrs I bringing her complaint to our service are well known to both parties, so I won't be repeating them in full here.

In summary, Mrs I had 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. This meant Mrs I couldn't access her money. The original restrictions were lifted on 23 February 2022 and Epayments began the process of reviewing customers' accounts and refunding customers. But Mrs I has yet to have her funds returned to her.

Mrs I complained to our service.

One of our investigators looked at the complaint. He initially issued a view saying that he couldn't advise Epayments to release the money as Mrs I had failed to provide documents requested by Epayments for Know Your Customer (KYC) checks. On Mrs I providing the required documentation, our investigator issued a second view.

He said Epayments were responsible for the limitations placed on them by the regulator and they should compensate Mrs I for the time she didn't have access to her funds. He awarded Mrs I 8% interest for the time she wasn't able to access her funds as well as £150 for the distress of not having access to her account.

Mrs I agreed with the view.

Epayments didn't accept and they've put forward two offers to resolve Mrs I's complaint – these include £250 compensation and 1% interest on the account balance from the day of restriction to the day of return.

In summary they said:

- They kept Mrs I informed at every step of the restriction and continue to do so.
- Mrs I's difficulty in accessing her funds was due to FCA's limitation on withdrawals from EPayments account balances.
- They empathise with Mrs I's situation of not having access to funds and, therefore, have offered a compensation amount of 1% of her account balance from 11 February 2020. And £150 compensation.
- The delay in paying the refund is caused by Mrs I refusing to provide appropriate documents required for Epayment's checks

- They are allowed to withhold funds as per their KYC processes and the terms and conditions of the account.
- They don't pay interest on their accounts and to pay an award of interest they'd need to be satisfied that Mrs I was going to move the money to an account where interest would have been earned, or invested and generating a high return of 8%.

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 Mrs I. It meant that for over three years she hasn't been able to access her funds.

Once Epayments agreed to suspend their operations to carry out the work required of them by the FCA they weren't able to return Mrs I's funds.

Epayments weren't in a position to refund Mrs I's money whilst the restrictions applied. However, I understand these have now been lifted. As that is the case, I would expect Epayments to refund Mrs I the funds in its account. I'd expect Epayments to carry out KYC checks before returning Mrs I's funds. However, Epayments have advised our service these checks have now been completed – and therefore there shouldn't be anything preventing Mrs I's funds being returned.

Mrs I shouldn't suffer a detriment because Epayments suspended its operations. Our investigator has said Mrs I should be paid 8% interest for the period of time Mrs I didn't have access to her funds and I agree. Epayments have suggested they shouldn't be held liable for the delays in being able to return Mrs I her 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 Mrs I to be impacted because of this. As a consequence, Epayments should be held liable for the delays in Mrs I not being able to access her funds. Epayments have argued that 1% interest for the time period the money was restricted is fair, considering they don't pay interest on the money in their accounts and 8% should only be granted if Mrs I was going to move the money to an interest paying account or have some very successful investments. I've thought about Epayments argument, but I don't agree. I accept that Mrs I's account didn't pay interest, but I agree with our investigator that 8% interest is appropriate in Mrs I's case. I say this as Mrs I was deprived of the use of her funds. She wasn't able to utilise them for day to day expenditure, transfer them to an interest paying account or invest them.

They've also argued that Mrs I didn't initially provide documents required for KYC checks. I agree, this is the case – as concluded by our investigator in their first view. However, Mrs I has now supplied all the documentation requested by Epayments. Most importantly here, I've thought about the primary reason Mrs I's funds were initially restricted. And whether the delay in Mrs I providing the correct documentation impacted on her funds being released. As I've already explained, Mrs I's funds *were*n't initially restricted because she failed to provide the KYC documents requested – instead it was due to restrictions applied by the FCA. I've

also noted that despite Mrs I now providing documentation which meets Epayments standards, they still haven't returned her funds. Therefore, I can't conclude Mrs I's failure to supply these documents delayed the return of her funds.

Putting things right

I therefore think Epayments should pay Mrs I 8% simple interest for the period of time she didn't have access to her funds.

Our investigator also recommended Mrs I is compensated £150 for the distress and inconvenience Mrs I suffered for her account being blocked for so long. I agree this is a fair amount and in line with our awards for similar cases.

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

My final decision

My final decision is I uphold the complaint. I require Epayments Systems Ltd to:

- Refund the money in Mrs I's account.
- Pay Mrs I 8% simple interest on the money in her account, calculated from 11 February 2020 to the date Epayments refund Mrs I.
- Pay Mrs I £150 compensation for the distress and inconvenience caused.
- 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 Mrs I 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 income tax from that interest, it should tell Mrs I how much it's taken off. It should also give Mrs I a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs I to accept or reject my decision before 27 October 2023.

Jeff Burch
Ombudsman