

The complaint

Mr H complains that Epayments Systems Ltd unfairly stopped him from accessing his funds held with them. He'd like compensation for the delay.

What happened

The facts of this case aren't in dispute – so I'll only briefly go over them here. Mr H held money in his Epayments account. But in February 2020 Epayments were obliged by the Financial Conduct Authority (FCA) to stop processing transactions. This meant Mr H couldn't access the funds.

Mr H complained about this to our service. One of our investigators thought the complaint should succeed – saying that the restrictions were ultimately the responsibility of Epayments. He suggested the money be refunded, along with 8% simple interest from the point of the block to the date of settlement. He also asked Epayments to cover any charges involved and pay Mr H £150 compensation for the inconvenience caused by the delays.

This was accepted by Mr H, but Epayments declined. Instead they offered to pay Mr H £750 to resolve the complaint overall. Mr H declined this offer.

Epayments said that their terms allowed them to withhold funds. They said as an electronic money institution (EMI) they cannot pay interest. They felt to award 8% interest, our service would have to be satisfied that Mr K would not have put these funds with another EMI, or with an investment generating returns of that amount. They also felt such an award would interfere with the winding down of their business.

The funds held in the account were released to Mr H in August 2023. But as no agreement could be reached on a fair way to resolve the complaint, it has been passed 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.

I can see that from February 2020 Epayments were under restrictions placed there by the FCA, which meant they weren't able to process transactions. The reasons for these restrictions have been widely publicised so I won't detail them in full here. But I'm satisfied that the restrictions were down to failings by Epayments in their anti-money laundering controls.

There's no suggestion here that anything Mr H did led to his account being restricted, so I'm satisfied that the only reason he couldn't access the funds in his account is down to the failings of Epayments. I'm aware there was a period where Epayments were waiting for KYC information from Mr H, but this was considerably after the restrictions were placed by the FCA. And I don't see that this will have caused any delay in Mr H's funds being returned to him.

The impact of the restrictions is that he couldn't access his funds for a considerable period of time, over three years, through no fault of his own. I don't see this as fair, and it's reasonable for Epayments to compensate him accordingly.

The investigator suggested adding 8% simple interest to the balance, although Epayments have put forward arguments against this. But this interest is not supposed to simply reflect lost interest or investment chances – and in any case Mr H has not provided us with any specific lost investment opportunities.

Mr H has been deprived of these funds for over three years – money that he should have had available to him to use as he wanted. Because of the length of time I can't say for sure what the specific cost of not having these funds available would be. It will have influenced a whole host of decisions about spending and borrowing over that time. To attempt to rework or reconsider Mr H's financial decisions over that period would be incredibly arduous, and not within the remit of our service to resolve complaints quickly and with the minimum of formality.

With that in mind I'm satisfied awarding 8% simple interest on the amount for the period it wasn't available to Mr H is appropriate. It is a reflection of the cost to him of being deprived of these funds. It's also in line with the statutory interest rate on judgement debts.

In terms of the non-financial impact on Mr H of not having access to his funds, I can understand it would be incredibly frustrating. Epayments have said they were in contact with Mr H through this period, and I've no reason to doubt this. But this wouldn't dampen the inconvenience. Overall, I'm satisfied this would be worth compensation and I see £150 as a fair amount.

If Mr H has received any fees or charges from Epayments, or their partners, in having his funds returned then Epayments should arrange to refund these.

Lastly, it's not my intention to interfere with Epayments winding down of their business – and that's not the role of our service. My role here is ultimately to decide what is the fair way to resolve individual complaints between businesses and their customers, based on the individual facts of the complaint. Based on the facts of Mr H's case, I'm satisfied that it is fair for Epayments to redress him as detailed above.

My final decision

My final decision is that Epayments Systems Ltd must:

- Pay 8% simple interest per annum on the balance of his account from 11 February 2020 to the date the funds were made available to him.
- Refund and currency conversion fees, or other fees and charges applied during the refund process
- Pay him £150 compensation

Epayments must pay the compensation within 28 days of the date we tell them Mr H has accepted my final decision. If it pays later than this, it must also pay interest on the compensation from the date of this decision to the date of settlement, at a rate of 8% simple interest per year.

In Epayments are required by HMRC to deduct income tax from any interest award, they should tell Mr H how much has been deducted. They should also provide a certificate showing how much was deducted if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 5 October 2023.

Thom Bennett
Ombudsman