

## **The complaint**

Mr G complains Epayments Systems Ltd (“Epayments”) blocked his account and withheld the funds held in it. Mr G also complains that an appointed representative of Epayments, Digital Securities Exchange Limited (“DSX”) withheld his funds in its e-wallet.

Mr G says Epayments actions have caused him financial loss, distress and inconvenience.

## **What happened**

On 11 February 2020 the regulator, The Financial Conduct Authority (FCA) placed limitations on Epayments. As a result Epayments were not able to process any transactions until the limitations were lifted. So, because of this Mr G couldn't access his funds.

Unhappy with its actions Mr G complained. Epayments upheld Mr G's complaint but explained that due to the FCA's actions it was withholding his funds and that it would continue to safeguard them.

Mr G referred his complaint to this service.

The original FCA restrictions were later lifted on 23 February 2022 and Epayments began the process of reviewing its customers' accounts and refunding them. In September 2022, Epayments announced it was closing its business and started reviewing its customers' accounts in line with its legal and regulatory obligations before processing any payments.

Epayments say Mr G withdrew his funds successfully on 7 July 2022. Mr G confirmed this, but then explained he had substantive funds in his DSX account.

One of our Investigator's looked into Mr G's complaint. In summary they found:

- Epayments is responsible for Mr G not having access to his funds. That's because its accounts were restricted due to weaknesses in its financial crime controls that were identified by the FCA
- As Mr G was deprived of his funds, Epayments should compensate him by paying 8% simple interest on them from when they were first blocked up until settlement
- Epayments should pay Mr G £150 compensation for the distress and inconvenience he's suffered
- Epayments, and its partners, have charged currency conversion fees and commissions when refunding any balances. It's not fair for Mr G to pay any fees or charges for accessing his funds – so Epayments should refund such fees and charges if imposed against Mr G
- DSX was an appointed representative of Epayments between 18 December 2014 until 16 January 2020. Mr G's problems with DSX started from June 2020. But as this was after DSX ceased being an appointed representative of Epayments, this isn't a complaint point this service can consider

Mr G agreed with what our Investigator said about his complaint against Epayments. But he wasn't happy Epayments had not told him about DSX not being an appointed representative of it anymore.

Epayments didn't agree it should pay Mr G 8% simple interest on the funds, in short arguing there's no way to know if Mr G would have put his money in another electronic money provider's account which would bear no interest or that he would've earned 8% elsewhere.

Epayments then made alternative offers to Mr G which ranged from £500 compensation to 1% of the balance. As Mr G refused these offers, his complaint has now 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.

Having done so, I've decided to uphold this complaint. I'll explain why.

As a regulated business, Epayments has certain obligations which it must comply with. Epayments is subject to regulation by the FCA. The FCA applied restrictions on Epayments for reasons widely publicised and also detailed on its company website. As a result, Epayments suspended its operations. This significantly impacted Mr G, given he had no access to his funds from February 2020 up until they were released to him in 2022.

Whilst the FCA requested Epayments to suspend its activities there was nothing it could have done in relation to returning Mr G's funds. But when it could, the funds were returned to Mr G. Epayments say it shouldn't be held liable for any detriment to Mr G whilst the FCA's limitations were imposed.

After carefully considering this, I'm not persuaded it's fair or reasonable in the circumstances of this complaint to find Epayments didn't do anything wrong. I say that because Epayments had to suspend its operations due to failures on its part. So I think Epayments should put things right by addressing the fact Mr G was deprived of his funds through no fault of his own.

As a regulated business, Epayments must comply with extensive legal and regulatory obligations. These generally cover the entire period of its customer relationship – from application to eventually the end of the relationship. This includes Know Your Customer (KYC) checks. So any refund of funds in the account would, or should have been, subject to these checks.

Epayments argue that there isn't any way of knowing how Mr G would have used his funds should he have had access to them. Awarding 8% simple interest when a consumer has wrongly been deprived of their funds is in line with the approach at this service. I haven't seen compelling enough reasons why Mr G shouldn't be awarded compensation in this way, so I'm satisfied this is fair redress.

I'm also satisfied that £150 compensation is fair award for the distress and inconvenience Mr G suffered. Mr G's explained the matter has affected his mental and physical health given he couldn't use the money for his family.

Mr G says that Epayments have charged him conversion fees when releasing the funds to him. I don't think it's fair or reasonable for Epayments to apply conversion or commission fees here for Mr G to access his funds. So if Epayments has applied such charges it should

refund them to Mr G.

Epayments say this service should refrain from making any significant award that interferes with its ability to wind down in an orderly manner.

It's not my intention to interfere with Epayments winding down of its business – and that's not the role of our service. My role here is ultimately to decide what a 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 G's case, I'm satisfied it is fair for Epayments to redress him as detailed above.

Lastly, Mr G has complained about GSX, as an appointed representative of Epayments, for withholding access to funds he held in its account. To be clear, these funds were held in a separate GSX operated account and are distinct to the Epayments one above.

I note from the FCA's website that GSX ceased being an appointed representative of Epayments in January 2020. As Mr G is complaining about actions GSX took after this date, it's not something this service can consider.

### **Putting things right**

To put things right, Epayments must now:

- Pay 8% simple interest on Mr G's funds from when it first restricted his access up until settlement\*
- Refund any fees or charges it applied to Mr G's funds when releasing them to him as explained above
- Pay Mr G £150 compensation for the distress and inconvenience it caused him\*\*

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

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

### **My final decision**

For the reasons above, I uphold this complaint. Epayments Systems Ltd must now put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 6 October 2023.

Ketan Nagla  
**Ombudsman**