

## **The complaint**

Mr M complains that Wise Payments Limited (trading as Wise) blocked his payment and closed his account. Mr M adds that Wise's actions are not in line with regulations and are discriminatory based on his nationality.

## **What happened**

The details of this complaint are well known to both parties, so I won't repeat them again here in detail. Instead, I'll focus on setting out some of the key facts and on giving my reasons for my decision.

Mr M had a personal account with Wise. Mr M has explained that he has dual nationality – Columbian and Venezuelan.

On 9 January 2022, Mr M requested Wise to transfer \$1,000 USD from his Wise account to another personal account held with an overseas bank. Wise blocked the payment for due diligence checks and asked Mr M to provide information about the payment.

Whilst carrying out its checks Wise discovered that Mr M conducted business activities in Venezuela, which at the time was a country subject to sanctions – mainly related to the activities of the Venezuelan government and certain industries. So Wise asked Mr M specific questions related to the sanctions – namely whether the payment/funds had anything to do with the Venezuelan government and energy industries. Wise warned Mr M that if it didn't receive the information, it wouldn't process Mr M's payment.

Over the next few days, Mr M responded to Wise's requests and provided some information. Wise reviewed Mr M's responses but said he hadn't clearly answered the questions and repeated its request for the information. Wise told Mr M that it does not process payments directly or indirectly connected with sanctioned countries, so it needed more information about the payment Mr M wanted to make as it had noted his business was located in Venezuela.

Mr M didn't answer all of Wise's questions and pointed out that he wasn't subject to any sanctions and that Wise shouldn't be applying the sanctions to all Venezuelan nationals – as that would be discriminatory. He said that Venezuela as a country wasn't sanctioned and he didn't do business with the Venezuelan government or its agencies as he found them to be inefficient, poorly paid, and corrupt. Mr M also told Wise that the transaction he wanted to make was from his US based Wise account to an account held with a US bank in USD – so Wise shouldn't be concerned.

In response, Wise told Mr M that the payment he wanted to make was outside of its risk tolerance and not in line with its internal policies. Wise told Mr M that due to his reluctance to answer its questions about the payment, even if it were of a personal nature, it was too high a risk for them to process. So, it returned the funds to his account. Following this on 25 January 2022, Wise deactivated Mr M's account.

Mr M complained to Wise and appealed its decision. He said Wise's actions were xenophobic and unfair. Wise maintained its position and said its Acceptable Use Policy, (within the Customer Agreement) permitted them to decline transactions and deactivate accounts of customers who exceed their risk tolerance.

Mr M remained unhappy and brought his complaint to our service where one of our investigators looked into what had happened. Mr M said he wants Wise to reopen his account, change its policies, and pay him compensation for the trouble and upset he has been caused.

The investigator said Wise had acted reasonably. He said Wise's terms and conditions included the right to make due diligence checks on customers and that Wise had applied its Acceptable Use Policy fairly when it deactivated Mr M's account and declined to follow his payment instructions. So he didn't recommend Wise needed to do anything to resolve Mr M's complaint.

Mr M disagreed. He maintained that he wasn't subject to any sanctions and Wise had discriminated against him on the basis of his nationality. He said Wise hadn't specified which payments it thought were connected directly or indirectly with Venezuela, and it hadn't shown that he had income from Venezuelan activities. In other words that the payment he wanted to make carried no more risk than any other payment. So it hadn't treated him fairly when it stopped his payment and deactivated his account.

As no agreement could be reached 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.

I'm very aware that I've summarised Mr M's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by me in taking this approach. Instead, I've focused on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome. But I want to assure Mr M that I have read all his submissions.

Firstly, I'd like to make clear that this service isn't a regulatory body or Court of law and doesn't operate as such. This means that it isn't within my remit to decide whether Wise have acted in a non-regulatory way or unlawful way. Our service is an informal alternative to the courts. And I can't make a finding as to whether the law has been broken, and I don't need to in order to decide this complaint.

I believe it's also important to explain that it's not the role of this service to supervise, regulate or impose fines on any business. It's also not our role to ask a business to alter its procedures or enforce changes to policies. That's the role of the regulator, The Financial Conduct Authority. My remit here is to decide whether I think Wise acted fairly and reasonably when applying those policies and procedures in the individual circumstances of Mr M's complaint.

Further, it's important to note that this service cannot make a legal finding whether the Equality Act has been breached or that Wise's actions amounted to race discrimination, as Mr M has suggested, the Act makes clear that this is a matter for the courts. However, as

part of my investigation I do take the law, best practice and industry guidance into account so I can make a finding on whether I think Mr M has been treated fairly and reasonably.

I can see Mr M feels very strongly about his complaint. That's clear from what's he's said to us and to Wise. Whilst I appreciate Mr M's frustration and how this matter has impacted him, it's important to point out that the only thing in question here is whether Wise has done what it should have done. I think it has and I'll explain why.

I've read what Mr M has said in detail. And I asked the investigator to get back to Wise with the point's he made to get absolute clarity.

Wise has extensive and important legal and regulatory responsibilities they must meet when providing account services to its customers, which includes ensuring no UK or other international sanctions might be breached. Those obligations are overriding in terms of otherwise meeting general timeframes for processing payments. And this is the same for every bank or Electronic Money Institution. This sometimes leads to payment instructions being declined and accounts being closed.

The terms and conditions of Mr M's account and Wise's Acceptable Use Policy, which Mr M agreed to when he opened his account, make provision for this.

Wise's Acceptable Use Policy, which forms part of its terms and conditions states:

*"We do not support business or transactions which are involved in any of the following categories, such businesses or transactions which are involved in any of the following categories, such businesses or transactions may be declined. While this list is representative, it is not exhaustive, and we reserve our right to deny our services to any customers who exceed our risk tolerance."*

### 1.2.3. Other restricted activities

- *Individuals, entities, or countries subject to international sanctions."*

Given the obligations Wise must follow, and looking at all the circumstances of this complaint, in particular Mr M's responses to Wise's due diligence questionnaire, and his links to a Venezuelan based business, I'm satisfied that Wise acted fairly when reviewing Mr M's payment instruction. And did so in line with its Acceptable Use Policy.

I accept that Mr M isn't subject to any sanctions. And that Mr M was making a transaction in USD from his US based Wise account to an account with another US bank. I note that Wise accepts this position too. But as Mr M is a stakeholder at a Venezuelan business, and Mr M didn't provide clear answers to Wise's due diligence questions, Wise took the view that Mr M may facilitate transactions through his Wise account that go against international sanctions, which could lead to Wise facing serious penalties. Wise wasn't prepared to accept the risk that the payment may breach sanctions.

Having looked at all the evidence, in particular Mr M's reluctance to answer all of Wise's questions about the payment, I don't find this unreasonable. So, because of this I'm satisfied that Wise fairly applied the provisions in its terms and conditions of the account in returning this payment to Mr M – and not processing it in line with his instructions.

Mr M has pointed out that Wise didn't identify which payments it thought were connected directly or indirectly with Venezuela, and says it hadn't shown that he had an income from Venezuelan activities. In other words that the payment he wanted to make carried no more risk than any other payment. Whilst I understand the point Mr M is seeking to make here, if

Wise fails to meet UK and international sanctions, it could face serious repercussions such as risks, penalties, fines reputational damage and court action. This is more pertinent given its business model is frequently involves it processing internationally bound payments.

In doing so, I appreciate that Wise is entitled to set their own policies and part of that will form their risk criteria. It is not in my remit to say what policies or risk appetite Wise should have in place. I can however, while considering the circumstances of individual complaints, decide whether I think customers have been treated fairly. Having looked at all the available evidence, I'm satisfied by taking the approach it did, Wise acted reasonably and proportionately in the circumstances. So, I don't think Wise treated Mr M unfairly.

The end result of the review was that Wise decided they didn't want to provide financial facilities to Mr M anymore. Wise told Mr M in January 2022 that it had deactivated his account. And it wasn't prepared to reopen it. So, I've next considered whether Wise treated Mr M fairly when it closed his account.

As a general rule Wise isn't obliged to continue offering an account to a customer if it doesn't want to – providing payment transfer services and facilities and to who is a commercial decision and not something this service can get involved with. That being said it wouldn't be fair or reasonable for Wise to suspend or close Mr M's account outside the terms and conditions of the account or without valid reason – which includes mitigating any potential risk to Wise and to its customers.

Under 25.2 of the Terms and conditions of the account Wise is able to suspend or close an account without notice if:

- (a) you breach any provision of this agreement or documents referred to in this Agreement;
- (b) we are requested or directed to do so by any competent court of law, government authority, public agency or law enforcement agency;
- (c) we have reason to believe you are in breach of any applicable law or regulation; or
- (d) we have reason to believe you are involved in any fraudulent activity, money laundering, terrorism financing or other criminal or illegal activity..."

I'm satisfied that providing Wise believes Mr M's account activity falls into one of these categories it was entitled to close Mr M's account in line with the terms and conditions.

As long as banks and financial businesses reach their decisions fairly, it doesn't breach law or regulations and is in keeping with the terms and conditions of the account, then this service won't usually intervene. But they shouldn't decline to continue to provide banking services without proper reason, for instance of unfair bias or unlawful discrimination.

Wise has provided some further details of its decision making process, which led to the closure of Mr M's account. Wise has said it relied on its Acceptable Use Policy to deactivate Mr M's account following completion of its due diligence checks. I've seen evidence that Wise asked Mr M for additional information so that it could understand Mr M's funds movement and intentions better. However ultimately it was deemed too high risk to process payments for Mr M given his business activities and reluctance to provide clear answers to its due diligence questionnaire.

Having reviewed everything, I've seen nothing to suggest Wise's decision around closing Mr M's account was unfair. On balance when considering Wise's wider regulatory responsibilities and all the information available to me, I find Wise had a legitimate basis for closing Mr M's account immediately. So, it would not be appropriate for me to ask Wise to

pay Mr M compensation since I don't find Wise acted inappropriately when it closed his account.

Mr M has said that he believes that he is a victim of discrimination by Wise. He says Wise declined his payment and closed his account because of his nationality which is xenophobic. While I can appreciate this is his perspective, as I've already explained it is not my role to decide whether discrimination has taken place – only the courts have the power to decide this.

I have, however, considered the relevant law in relation to what Mr M has said when deciding what I think is the fair and reasonable outcome. Part of this has meant considering the provisions of The Equality Act 2010 (The Act). I have to consider if other customers in similar situations would have been treated the same way. Having looked at all the evidence, I haven't seen anything to show that Wise would have treated another customer with similar circumstances any differently than Mr M. After looking at all the evidence, I've not seen anything to suggest Wise treated Mr M unfairly when it decided to decline his payment instruction and close his account.

In summary, I realise Mr M will be disappointed by my decision. But having looked at all the evidence and circumstances of this complaint, I won't be directing Wise to do anything to resolve Mr M's complaint.

I note that Mr M has indicated that he may wish to pursue the matter through other means, I can't advise him on how to go about doing that, but my decision brings to an end what we – as an informal dispute resolution service can do for him.

### **My final decision**

For the reasons I've explained, my final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 10 October 2024.

Sharon Kerrison  
**Ombudsman**