

## **The complaint**

Mr A complains Epayments Systems Ltd (“Epayments”) blocked his account in 2019 and withheld his funds. Mr A says this has caused him severe distress and inconvenience.

## **What happened**

Mr A opened an Epayments account in early 2018. In late 2019, Mr A travelled to a foreign country. Mr A says Epayments blocked his account in January 2019, and because of this he couldn't travel to his father's funeral in his home country.

On 24 February 2019, Epayments sent Mr A an email in which it said it had blocked his account as it does not provide its services to residents and citizens of the country he had travelled to. Mr A responded that he wasn't a resident nor citizen of that country, but that he had ordered a new card to his current address in that country.

Epayments say it then sent Mr A an email to upload a photo with him holding his passport in his hands before it could unblock his account and reissue a new card. Mr A says he never got this email. The funds remained on hold.

On 11 February 2020 the regulator, The Financial Conduct Authority (FCA) placed limitations on Epayments. As a result Epayments was not able to process any transactions until the limitations were lifted.

The original 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.

In March 2023, Epayments sent Mr A its final response to a complaint he had raised with it. In summary, Epayments explained what had happened with the FCA, Mr A's account was blocked because of this, and that it was safeguarding his money. Epayments also explained it was looking forward to expediting the refund process for Mr A.

Mr A referred his complaint to this service. In summary, one of our Investigator's found:

- In 2019, Epayments didn't offer services in the country Mr A was in. So it wasn't unreasonable for it to restrict Mr A's account. At that point, Epayments told Mr A what he needed to do to unblock his account, but it appears Mr A didn't do anything about it
- Once the restrictions are removed, Epayments should refund Mr A his funds subject to any further checks required by the FCA being completed
- The reason Epayments accounts were restricted was due to weaknesses in Epayments' financial crime controls, which were identified by the FCA. So Epayments is responsible for the impact to Mr A for not having access to his funds

- Epayments should pay Mr A 8% simple interest per annum on the funds from when they were blocked due to the FCA restrictions on 11 February 2020 until settlement. This is in line with industry standards for compensation and covers multiple uses of the money
- Pay Mr A £150 for the distress and inconvenience the blocks had on him
- If any currency conversion fees, or other fees/commissions were charged by Epayments or their banking partner during the refund process, these should also be refunded
- Epayments doesn't need to refund any costs Mr A says he incurred in trying to get access to his money by travelling to its offices in the UK. Epayments doesn't provide face-to-face services at its offices, and he was told he didn't need to travel to the UK
- Epayments had made an offer of £250 to resolve his complaint as full and final settlement

Mr A didn't accept Epayments offer of £250 as full and final settlement of his complaint. He said he accepted in general terms what our Investigator said, but he didn't receive any request from Epayments in February 2019 to send a photo of himself holding his passport. So he believes Epayments should pay him 8% simple interest from when the first block was applied in 2019.

Our Investigator said he had seen evidence an email to this affect was sent to Mr A to send his picture to Epayments. Mr A asked to see this evidence, and once received he said he never received it and that it's a fake.

Epayments later made a new settlement offer of 1% of the balance. Mr A didn't accept it.

Epayments didn't agree to what our Investigator said. Some of the key points it makes are:

- Mr A had breached clause 10.1(f) of its terms and condition before the FCA restricted its activities in February 2020
- Mr A had over a year to get his funds released before the FCA's actions against it
- As EMI's (Electronic Money Institution) do not pay interest on its accounts, Mr A would have had no reasonable expectation or right to any. Mr A should provide evidence of what he would have done with the money to show awarding interest in this way is fair
- By awarding 8% simple interest, Epayments ability to solvently wind-down will be adversely impacted

As Mr A says he should receive more compensation, and Epayments don't agree with what our Investigator said, this complaint 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.

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

I'm very aware that I've summarised the events in this complaint in far less detail than the

parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed 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 argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Mr A and Epayments have said before reaching my decision.

### *The 2019 block*

In 2019, Epayments did not permit residents or citizens of the country Mr A was in to hold one of its accounts. The evidence I've seen shows Mr A was in that country and had asked Epayments to reissue him with a new card at an address there.

Mr A says he was there on a tourist visa – and was neither a resident nor citizen. Epayments say it's internal customer call notes show Mr A had called it to change his contact number and said, *"now I have moved to the XXXX, and I need to change my contact number"*. Please note I've not named the country explicitly here to help maintain Mr A's anonymity.

Epayments also say it had told Mr A about its services not being available in some jurisdictions – which included the country Mr A was in. I note Mr A's current address is in the country that was prohibited in 2019.

Epayments has also sent me a screenshot of an email chain with Mr A. The first email in the chain, dated 24 February 2019, informs Mr A his account has been blocked in accordance with Epayments terms of service and it doesn't provide service to residents and citizens of the country Mr A was in.

Mr A then responds to this email four days later and says he is neither a resident nor citizen of that country. He is there on a tourist visa and wants a new card at his current address. Later that day, I can see another email was sent by Epayments' employee to Mr A. This email informed Mr A that he needed to send a picture of himself holding his passport for his account to be unblocked.

Mr A says he never received this email, there was an error with this email address, and this email chain sent by Epayments is fake. I've also been sent an email by Mr A which appears to show he was having issues accessing one of his email addresses.

Having carefully considered everything I've seen and been told; I'm persuaded it's most likely Epayments did send Mr A an email saying what he needed to do to unblock his funds to a valid address. I say that because Mr A responded to an email from Epayments earlier that day which shows this email address was in use by him at that time he was given notice. If Mr A was having issues with accessing these emails later, that's not Epayments fault.

I'm satisfied from the information Epayments have sent me that it needed to be sure Mr A wasn't a resident or citizen of the prohibited jurisdiction before unblocking his account. What I find difficult to understand is why, based on the information I have, Mr A didn't do much more to speak to Epayments about releasing his funds after his initial interaction with it.

So given what I've said above, I'm satisfied Epayments didn't do anything wrong in restricting Mr A's account up until 11 February 2020 when the FCA placed limitations on it. So as Mr A wasn't unfairly deprived of his funds for this period, Epayments don't need to pay

him any compensation for deprivation of funds, or any distress and inconvenience.

I am of course sorry for Mr A's personal loss around this time.

### *FCA restrictions*

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.

Whilst the FCA requested Epayments to suspend its activities there was nothing it could have done in relation to returning Mr A's funds during this period. Epayments say it shouldn't be held fully liable for any detriment to Mr A 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 A has been deprived of his funds through no fault of his own. Epayments may argue that Mr A still needed to have provided evidence to show he wasn't a resident or a citizen of the country he was in, but I think it's most likely this would've been resolved but for the FCA's actions.

I'm not certain if Mr A has received his funds yet, but I have seen that Epayments were ready to do this in April 2023 subject to the required KYC checks being completed. 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 and/or Customer Due Diligence (CDD).

So any refund of funds would be subject to these checks. It's worth noting these checks include not just the verification of a customer's identity, but also establishing the purpose and intended nature of the business relationship and origin of funds.

I note Epayments don't agree with 8% simple interest being added because there isn't any way of knowing how Mr A would have used his funds should he have had access to them. I also note Epayments wants to see evidence of how he would have utilised these funds.

Epayments didn't act improperly from 2019 until February 2020 when restricting Mr A's account. So it doesn't need to pay him any interest for being without them. But as I've found, Epayments is at fault for the restrictions on the account from 11 February 2020 till the funds have or will be released.

Awarding 8% simple interest when a consumer has wrongly been deprived of their funds is in line with the approach at this service. I also haven't seen compelling enough reasons as to why Mr A shouldn't be awarded compensation in this way, so I'm satisfied this is fair redress.

Mr A says this matter has caused him considerable stress and impact to his mental health requiring the intervention of a health professional. I'm sorry to hear about this. But I note most of this appears to stem from the initial block in 2019 and Mr A's inability to travel back to his home country for his father's funeral. I've already said that Epayments did nothing wrong by applying this first block – so I'm persuaded this heavily mitigates against a higher compensation award for distress and inconvenience.

Secondly, I've only seen an email from December 2022 which shows Mr A asking Epayments for his funds since the initial interactions in 2019. I'd have expected to have seen regular correspondence given the distress and inconvenience Mr A says this was causing him. Mr A's message of this date doesn't allude to any previous communication either.

So after weighing this up, I'm persuaded its most likely Epayments' restrictions from February 2020 didn't cause Mr A severe distress and inconvenience. I do accept however that he would have been troubled and upset by what was going on. So I think £150 is fair compensation for this.

Mr A has said he should be compensated for his expenses when travelling to the UK to retrieve his money from Epayments' offices. But Epayments told Mr A in December 2022, when he enquired about his funds, that there is no need to travel to the UK. Nor did Epayments tell Mr A it has face-to-face services in its UK office. So I'm satisfied it doesn't need to reimburse Mr A any costs of travel.

If Epayments, or its partners, have charged Mr A any conversion or commission fees when releasing the funds, these should be refunded as I don't think it's fair or reasonable for them to be applied.

Lastly, I'm aware Epayments is going through a winding down process. To be clear, it's not my intention to interfere with Epayments winding down of its business – that's not the role of our service. My role here is ultimately to decide a fair way to resolve individual complaints between businesses and their customers, based on the individual facts of the complaint

### **Putting things right**

To put things right, Epayments must:

- Pay 8% simple interest on the funds it released to Mr A from 11 February 2020 up until settlement\*
- Not apply any fees or charges for releasing funds to Mr A – as detailed above. If it or its banking partner has applied such charges, they should be refunded
- Pay Mr A £150 compensation for the distress and inconvenience it has caused

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

### **My final decision**

I've decided to uphold this complaint in part. 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 A to accept or reject my decision before 31 October 2023.

Ketan Nagla  
**Ombudsman**