

The complaint

Mr O complains about the way Funding Circle Ltd dealt with his request to change the bank account linked to the Peer-to-Peer (P2P) lending account he held on its platform. He says the process he had to follow has caused him stress in a situation that should have been straightforward and hassle free.

What happened

Mr O holds a P2P lending account on Funding Circle's platform. His P2P account has a linked bank account that is used for receiving and sending funds to and from Funding Circle. In September 2021, he made inquiries about changing bank accounts and then in October 2021 made a request to change the linked bank account. As he had used a Current Account Switching Service, he expected this to be as straightforward as it had been with other businesses.

Funding Circle explained it needed to do some additional checks to verify the new account. It asked Mr O to follow a link, which required him to provide "live photos" as part of the process.

Mr O responded and said he felt that Funding Circle already had sufficient information to verify his account. He said he had no ability to take photos on his computer, and he questioned why a non-UK business was being used to verify his UK bank account.

Funding Circle maintained its position that without the link being completed it couldn't proceed with verifying the account. It referenced its Investor terms and conditions (section 7.3) to support that Mr O needed to comply with the instructions given. In relation to taking live photos, it said this can be done on a mobile device.

Following this Mr O raised a complaint as he felt he had provided the evidence required for the account to be validated without the further steps being required. He also maintained he didn't have the device Funding Circle required to allow him to complete the process.

Funding Circle responded to the complaint. In summary it said:

- It must comply with its obligations to verify financial data such as a new nominated bank account. And while it understands Mr O's frustration regarding the bank validation process, it must complete its verification protocol.
- The Current Account Switching Service means some providers may not require Mr O to verify his new account, but it's unable to process payments until he has completed its verification process.
- It offered an alternative option to send a cheque for the available funds.

Mr O didn't agree and referred his complaint to this service for an independent review. One of our investigators looked into the complaint but didn't uphold it. In summary she said:

- She thought it was reasonable for Funding Circle to request further verification of Mr O's bank account in the circumstances. It was protecting the funds held on its

platform from being sent to a bank account that wasn't his. So, she didn't consider that it did anything wrong when asking for further verification through its third-party verification provider.

- She appreciated Mr O's frustrations but was satisfied Funding Circle followed its business processes in making sure that the new bank account was correct. Funding Circle said it could only verify the account after Mr O had uploaded a live photograph. But when Mr O said this wouldn't be possible as he didn't have the equipment to do so, it offered help, but this wasn't taken up.
- She didn't think Mr O has lost out financially because until the new bank account was verified, he was still able to withdraw funds from Funding Circle's platform to his old bank account, who would then forward to them to his new bank account. Funding Circle also offered to send a cheque for the funds.
- She didn't find that Funding Circle had unfairly applied the terms of the contract. She considered whether Mr O had been treated fairly taking into the Equality Act 2010. She noted Mr O hadn't told us or Funding Circle of any sight problems. So, she didn't think there was a reason for Funding Circle to adjust its process when requesting he provide a live photo.

Mr O didn't agree with the investigator's findings and asked for an ombudsman to reach a decision on his complaint. He provided further submissions too. In summary he said:

- When changing his bank account, he used the Current Account Switching Service, which is supported by the main retail banks in the UK – and is a trusted mechanism whereby many thousands of people transfer accounts seamlessly each year. He has provided information to Funding Circle that met the requirements to verify a new bank account.
- The help Funding Circle offered was purely to complete the live photo process. Given his lack of equipment to proceed with this, there seemed no point in pursuing this offer of help. A live video feed is not a "document" and is thus not covered by Funding Circle's terms and conditions (paragraph 7.3) as something he needs to provide. The onus is on Funding Circle to provide an alternative mechanism in such circumstances – and no alternative was ever provided.
- His new account has never been verified by Funding Circle, nearly two years since opening it. He still has to withdraw via his old account (closed since 2021) and rely on the Current Account Switching Service to reroute his funds, but he doesn't regard this as satisfactory.
- The offer of a cheque is appreciated, though withdrawals are an ongoing matter, not a one-off one. If he could be assured that Funding Circle would honour that commitment to make withdrawal payments to him via cheque whenever he requested, with no additional fees or charges applied, that would be acceptable.
- He doesn't think it is necessary to inform Funding Circle of his health or that it should be necessary for him to do so to address the inadequate bank account verification process. He does have health issues which makes the video live streaming highly undesirable.
- The requirement for a live video performance is not supported by the Terms and Conditions, not proportionate and not universally applicable.

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.

Firstly, I want to acknowledge that the situation has caused Mr O a lot of frustration. I understand that he feels Funding Circle's processes have made the situation more difficult

that it should have been. I recognise that and have considered everything he has said in order to reach a fair and reasonable decision based on all the evidence provided.

I've reviewed Funding Circle's terms and conditions. I note they don't explicitly cover the scenario of using live photos to verify bank accounts but they do mention Mr O needs to ensure all documents Funding Circle requires are validated and that he will need to follow instructions in relation to the reviewing and approving of these documents. Mr O isn't objecting to the need for his account to be verified, but rather the exact method that is being used to do it – which isn't something that isn't covered within the terms. However, I can still consider whether Mr O has been treated fairly in the circumstances whilst having regard for terms.

Funding Circle has obligations with regards to ensuring client funds are protected and kept safe. It has to look after the money and assets that its customers entrust to them. And it has to comply with things such as anti-money laundering requirements. Unfortunately, this can be frustrating for the customer, but there are good reasons for them to be done. Financial firms are required to take a risk-based approach and often use processes that try to minimise the inconvenience to customers.

Funding Circle has explained that when it received Mr O's request, it did attempt to complete the verification using the information he initially supplied, but this wasn't possible. There can be a number of reasons why one of these checks might not be sufficient, for no fault of the customer. Broadly speaking, the check will match up personal data with other records to allow Funding Circle to have the confidence to verify the account. Whatever the reason was here, Funding Circle needed to do further checks and this is why it required additional information from Mr O. The requirement for more information in itself is a reasonable position to take, but it is what Funding Circle asked for that has led to Mr O raising a complaint.

Funding Circle has explained that in situations where automated verification isn't possible, its process involves using a service provided by a third party. This is common practice, and I haven't seen anything to suggest that this would put Mr O's personal data at risk. But I do appreciate that Mr O has raised concerns about his availability of a device that allows him to complete the requirements. I also acknowledge that due to his personal circumstances it is not desirable for him to follow a process that includes the use of photos, and that he doesn't feel he should have to provide medical information to support why using a photo isn't desirable for him. In the circumstances where a consumer has difficulty following the process adopted by a business, I think it is reasonable to expect that attempts should be made to support and provide potential alternatives. I can see that Funding Circle has done this, so I do think it has made attempts to help Mr O.

I note Funding Circle did make an alternative offer to provide a cheque, so that Mr O could still withdraw funds. Mr O has indicated that this is acceptable, but he is concerned that this offer isn't guaranteed and could be withdrawn. Based on what I've seen, I don't see why Funding Circle should not continue to make this as an alternative offer. I'm aware the platform has closed to retail customers, so Mr O won't be needing to make deposits, only withdraw funds. I do appreciate it may take some time for all of his funds to be withdrawn due to the nature of P2P investments. If in the future Funding Circle withdraws or places charges on providing cheques, then I would expect Mr O to be able to raise any concerns he has at this point.

Mr O says the help offered by Funding Circle was not taken up as it was in relation to the process he was unable to follow. There does seem to be some confusion about the precise requirements of the process. The information I've seen indicates that it is not a video that is required, but rather a photo taken live, as in the moment of completing the process. But Funding Circle will be able to clarify this. If Mr O would like (and is able) to try to provide the

verification in the format that Funding Circle has requested, I would expect it to support him in doing this. At present it doesn't appear Mr O is able to do this, but should the situation change then Funding Circle should see if there are other options that make it possible for him to follow the verification process, for example whether it is possible for him to use the device of a friend or family member to provide a live photo in the format that it requires.

I also note that while Mr O's bank account still isn't verified by Funding Circle, he has still been able to receive payments into his current account through the account switching service he used. I appreciate that this is a workaround, so not as smooth and desirable as having his bank account linked directly to his P2P account. But it does mean he hasn't been prevented from having access to his money.

I appreciate Mr O's frustration that it hasn't been straightforward to verify his bank account. I also understand why he would prefer not to have to follow the process set out, and instead have his account verified based on what he was already provided. But in order to uphold the complaint, I would need to be satisfied there was an error made by Funding Circle. I've accepted that it has acted reasonably in trying to complete a verification process, and it has also provided an alternative to allow Mr O access to his funds where he was unable to complete the requirements it set. For these reasons, I'm not asking Funding Circle to do anything further.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 12 October 2023.

Daniel Little
Ombudsman