

## **The complaint**

Mr K complains that Epayments Systems Ltd stopped him from accessing the funds in his account. He'd like to be compensated for this.

## **What happened**

The facts of this complaint don't appear to be in dispute between both parties, so I don't see any benefit in repeating them in full here. Briefly, In February 2020 Epayments were required by the Financial Conduct Authority (FCA) to stop processing transactions while a review was carried out. Because of this Mr K couldn't access the funds in his Epayments account.

The restrictions were lifted in February 2022, and the funds were returned to Mr K. But he was unhappy with the length of time that the funds had been held – saying he'd lost out on the value of them due to inflation. He referred the complaint to our service, asking to be compensated for this.

Our investigator agreed that Epayments were ultimately responsible for the limitations placed on the account. He suggested Epayments should add 8% simple interest per annum on the balance of the held funds for the time Mr K couldn't access them. He also suggested £150 compensation for the inconvenience. Mr K accepted this, but Epayments disagreed. They put forward a counteroffer, which Mr K declined.

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

As no agreement could be reached the 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.

I accept that for the period Epayments were under restrictions from the FCA they were holding Mr K's funds. The reasons for this have been publicised widely, and ultimately these were down to failings on Epayments part.

For Mr K the impact was that he couldn't access his funds for a considerable period of time – approximately two years – through no fault of his own. There's no suggestion here that Mr K would have had access to his account restricted otherwise. This impact is solely down to the Epayments' failures that led to the restrictions from the FCA. So, in the circumstances I think it's right that Epayments compensate him appropriately.

The investigator has suggested adding 8% simple interest to the balance. I've considered what Epayments have said about the award. I can't say for certain what Mr K would have

done with the funds, had they been available to him. There are no specific losses claimed, but the 8% interest award isn't intended to cover solely investment income lost out on.

I'm satisfied that Mr K has been deprived of his funds for a considerable amount of time – funds that he should have had access to, to use as he would see fit. Over the two years he would have had numerous opportunities to make use of the funds, had they been available to him. So, the award of 8% interest is to reflect the cost of being deprived of these funds, and I see it as reasonable in the circumstances of the complaint to apply it here.

I've also considered the non-financial impact on Mr K from having his account blocked for so long. Epayments have said they kept him updated, but even so Mr K will have been distressed and inconvenienced by the block I consider £150 would be a fair amount.

If Mr K has received any current conversion fees or commission when Epayments refunded him the balance on the account, then Epayments should refund this to him.

### **My final decision**

My final decision is that Epayment 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 returned 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 K 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.

If Epayments is required by HMRC to deduct income tax from any interest award, they should tell Mr K how much has been deducted and provide a certificate showing so if he asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 10 October 2023.

Thom Bennett  
**Ombudsman**