

## **The complaint**

Mr G complains that Epayments Systems Ltd restricted his account, and withheld his funds. He'd like his funds returned and compensation for the impact.

## **What happened**

The facts which led to Mr G bringing his complaint to our service are well known to both parties, so I won't be repeating them in full here.

In summary, Mr G had an Epayments account. On 11 February 2020 the regulator, the Financial Conduct Authority (FCA) placed limitations on Epayments. This meant Epayments were unable to process any transactions until the limitations were lifted. And Mr G couldn't access his money. The original restrictions were lifted on 23 February 2022 and Epayments began the process of reviewing customers' accounts and refunding customers. Mr G's funds have now been returned to him.

Mr G complained to our service.

One of our investigators looked at the complaint.

He said Epayments were responsible for the limitations placed on them by the regulator and they should compensate Mr G for the time he didn't have access to his funds. He awarded Mr G 8% interest for the time he wasn't able to access his funds as well as £150 for the distress of not having access to his account.

Mr G agreed with the view.

Epayments didn't accept and they've put forward two offers to resolve Mr G's complaint – these include £250 compensation and 1% interest on the account balance from the day of restriction to the day of return.

In summary they said:

- They kept Mr G informed at every step of the restriction and continue to do so.
- Mr G's difficulty in accessing his funds was due to FCA's limitation on withdrawals from EPayments account balances.
- They empathise with Mr G's situation of not having access to funds and, therefore, have offered a compensation amount of 1% of his account balance from 11 February 2020. And £150 compensation.
- They can't release the funds, as per their Terms and Conditions, until KYC checks are passed.

- They are allowed to withhold funds as per their KYC processes and the terms and conditions of the account.
- They don't pay interest on their accounts and to pay an award of interest they'd need to be satisfied that Mr G was going to move the money to an account where interest would have been earned, or invested and generating a high return of 8%.

As there was no agreement 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.

As a regulated business Epayments have certain obligations which they must comply with. They are subject to regulation by the FCA. The FCA applied restrictions on Epayments for reasons widely publicised and also detailed on their company website. As a result, Epayments suspended their operations. This had a significant effect on Mr G. It meant that he wasn't able to access his funds for an extended period of time.

Once Epayments agreed to suspend their operations to carry out the work required of them by the FCA they weren't able to return Mr G's funds.

Epayments weren't in a position to refund Mr G's money whilst the restrictions applied. However, the restrictions have since been removed and Mr G's funds have now been released. Mr G shouldn't suffer a detriment because Epayments suspended its operations. Our investigator has said Mr G should be paid 8% interest for the period of time Mr G didn't have access to his funds and I agree. Epayments have suggested they shouldn't be held liable for the delays in being able to return Mr G his funds as this was due to restrictions placed on them by the FCA.

But I disagree. The reason why Epayments had to suspend their operations was due to failures on their part and it would be unfair for Mr G to be impacted because of this. As a consequence, Epayments should be held liable for the delays in Mr G not being able to access his funds. Epayments have argued that 1% interest for the time period the money was restricted is fair, considering they don't pay interest on the money in their accounts and 8% should only be granted if Mr G was going to move the money to an interest paying account or have some very successful investments. I've thought about Epayments argument, but I don't agree. I accept that Mr G's account didn't pay interest, but I agree with our investigator that 8% interest is appropriate in Mr G's case. I say this as Mr G was deprived of the use of his funds. He wasn't able to utilise them for day to day expenditure, transfer them to an interest paying account or invest them.

### **Putting things right**

I therefore think Epayments should pay Mr G 8% simple interest for the period of time he didn't have access to his funds.

Our investigator also recommended Mr G is compensated £150 for the distress and inconvenience Mr G suffered for his account being blocked for so long. I agree this is a fair amount and in line with our awards for similar cases.

In some cases, Epayments or their banking partner may charge currency conversion fees and commissions when refunding account balances. In Mr G's case I don't think he should

have to pay any currency conversion fees or commissions for accessing the funds in his account. If Mr G has been charged any such fees or commissions, I require Epayments to refund these.

### **My final decision**

My final decision is I uphold the complaint. I require Epayments Systems Ltd to:

- Pay Mr G 8% simple interest on the money in his account, calculated from 11 February 2020 to the date Epayments released the funds to Mr G.
- Pay Mr G £150 compensation for the distress and inconvenience caused.

If any currency conversion fees, or other fees/commissions are charged by Epayments or their banking partner during the refund process, these should also be refunded.

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 date of my final decision to the date of payment at 8% a year simple.

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.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 11 December 2023.

Jeff Burch  
**Ombudsman**