

The complaint

G, a limited company, complains that Checkout Ltd unfairly closed their accounts. They'd like the account reinstated, or an explanation for the decision to terminate the service and a reimbursement of lost fees.

What happened

G held an account with Checkout, which they used to collect payments from sales. But in February 2023 Checkout wrote to them to say they would be withdrawing their services in April 2023.

Unhappy with this G complained, saying the information given was vague and unconvincing. But Checkout didn't provide any further details on their decision to close the account. G also asked for an extension of the closure notice period, but this was declined.

G then referred their complaint to our service. One of our investigators tried to gather information from Checkout but did not receive a response. The investigator accepted that Checkout can close accounts, and had provided the required notice as per the terms of the account. They said Checkout didn't have to give a reason to G as to why the accounts were closed, but because they hadn't provided our service with a reason, they couldn't be certain the closure was fair. On that basis they suggested Checkout pay G £100 for the inconvenience caused by the closure.

Checkout didn't respond to the investigator's opinion. G rejected the outcome, saying they'd suffered over £10,000 in losses because of the closure, and had to pay higher fees from their new payment processor.

As no agreement has been reached the complaint has been passed to me to decide. I have attempted to contact Checkout, without success.

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.

Where the evidence is incomplete, unclear, or simply unavailable, I have to make my decision on what I feel is more likely to have happened, and what I consider to be fair and reasonable based on the circumstances of the complaint. It's disappointing that Checkout have not engaged with our service. So, I've had to base my decision on information provided to us by G, and publicly available information such as the terms of Checkout's service, and the relevant legislation and regulations concerning electronic money accounts.

I'm satisfied that G had a payment account with Checkout. And as a regulated financial business Checkout have a broad commercial discretion over who they can provide accounts to. Generally, our service wouldn't ask a business to reopen an account unless there was very good reason to do so.

I've reviewed the available terms for Checkout's accounts, and they do not specify how much notice should be given before an account closure. But the Payment Services Regulations 2017 say that a payment service provider may terminate a framework contract by giving two months' notice. This is thought to be enough to make alternative arrangements.

From the information G has given us I'm satisfied that Checkout provided the required notice period, which is reasonable. I can see G replied the day after the notice, which shows me the notice was received and understood. From what G has provided us I understand they now have an account with another payment service provider.

Checkout aren't under obligation to explain to G their reasoning for deciding to close the account – and in this case have declined to do so. This isn't unreasonable. However, our service has a duty to look at whether a financial business has behaved fairly and reasonably. As Checkout haven't provided any information on why the account was closed to our service, I can't say with any certainty that the reason for closure was fair or reasonable. On that basis I'm persuaded that they should pay some compensation to G for the inconvenience caused by the closure.

I've considered the information G has supplied about their losses – but I'm not persuaded that Checkout should cover these. As mentioned above, Checkout can close accounts, and once the notice is received it would be prudent to seek alternative arrangements. I've considered what G has said about the fees for the new provider being higher, but ultimately that's a commercial decision for them. I don't see it's reasonable to ask Checkout to cover the difference in fees or any losses from having to change to a new provider.

Overall, I'm satisfied that £100 compensation for the inconvenience of having to set up a new account provider is reasonable.

My final decision

My final decision is that Checkout Ltd must pay G £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask G to accept or reject my decision before 31 May 2024.

Thom Bennett
Ombudsman