

The complaint

Mr N complains that Epayments Systems Ltd withheld his funds. He'd like them returned and compensation for the impact.

What happened

The facts which led to Mr N 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 N 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. This meant Mr N 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 N was informed he could withdraw his funds, however, to do so he'd have to convert them to Euros. And, Epayments also asked Mr N for Know Your Customer documents. Epayments weren't satisfied with the documents Mr N provided, in particular evidence of his home address. So Mr N's funds weren't returned to him.

Mr N complained to our service. One of our investigators looked into Mr N's complaint.

Epayments made an offer to return Mr N's funds, plus £150 compensation and 1% for the duration of the funds restriction. Mr N didn't accept the offer, he requested 15% interest on his funds plus a higher amount of compensation and repayment for the conversion he was required to do on his funds.

I understand on 21 September 2023 Mr N regained access to his funds.

Our investigator concluded Epayments were responsible for the limitations placed on them by the regulator and they should compensate Mr N for the time he didn't have access to his funds. He awarded Mr N 8% interest for the time he wasn't able to access his funds – minus 30 days for Epayments to complete their due diligence - as well as £150 for the distress of not having access to his account. He also asked if any currency conversion fees, or other fees/commissions were charged by Epayments that these should be refunded. Mr N agreed with the view.

But Epayments didn't. They advised Mr N's refund was delayed as they had to carry out their due diligence to comply with their legal and regulatory obligations.

As Epayments didn't agree the decision has been passed to me.

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 N.

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 N's funds. However, I understand these have now been lifted.

Epayments are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They're also required to carry out ongoing monitoring of new and existing relationships. Epayments have explained that they needed to carry out due diligence checks before releasing Mr N's funds – which were completed and Mr N's funds returned in September 2023.

Mr N shouldn't suffer a detriment because Epayments suspended its operations. Our investigator has said Mr N should be paid 8% interest for the period of time Mr N didn't have access to his funds, minus 30 days, and I agree. Epayments have suggested they shouldn't be held liable for the delays in being able to return Mr N 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 their own failures and it would be unfair for Mr N to be impacted because of this. I agree Epayments acted fairly in carrying out due diligence checks on Mr N's account but it doesn't follow that I think the restriction on Mr N being unable to access his funds was fair. I'm satisfied Epayments should be held liable for the delays in Mr N not being able to access his funds. But, I'm satisfied a 30 day review period was reasonable for Epayments to carry out due diligence checks.

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 N 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 N's account didn't pay interest, but I agree with our investigator that 8% interest is appropriate in Mr N's case. I say this as Mr N was deprived of the use of his funds. I say this as 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 N 8% simple interest for the period of time he didn't have access to his funds.

Our investigator also recommended Mr N is compensated £150 for the distress and inconvenience Mr N 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.

Mr N tells us he has been charged by Epayments, or their banking partner, currency conversion fees and commissions when converting his funds to Euros. I don't think Mr N should have to pay any currency conversion fees or commissions for accessing the funds in his account. If Mr N 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 N 8% simple interest from 12 March 2020 to 21 September 2023 on the money released from his account.
- Pay Mr N £150 compensation for the distress and inconvenience caused.

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 must pay the compensation within 28 days of the date on which we tell it Mr N 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 N how much it's taken off. It should also give Mr N 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 N to accept or reject my decision before 8 February 2024.

Jeff Burch
Ombudsman