

The complaint

G complain Epayments Systems Ltd (“Epayments”) should compensate them for being unfairly deprived of their funds.

What happened

On 11 February 2020 the regulator, The Financial Conduct Authority (FCA) placed limitations on Epayments. As a result Epayments were not able to process any transactions until the limitations were lifted. So, because of this G couldn't access their funds.

The original restrictions were later lifted on 23 February 2022 and Epayments began the process of reviewing its customers' accounts and refunding them. G was contacted by Epayments to provide it with information relating to source of funds, director identity and other related documents. This related to it fulfilling its KYC (“Know Your Customer”) obligations.

In September 2023, G were able to withdraw their funds as Epayments was satisfied it had met all its KYC obligations. G then complained that it should be compensated for its funds being frozen through no fault of theirs. Epayments did not uphold this complaint.

Unhappy with Epayments' response, G referred their complaint to this service. One of our Investigator's then looked into it, and in summary they said:

- G previously complained to this service about their account being restricted. Epayments sent them a final response about this complaint in November 2022. G didn't refer this complaint to this service within six months of that letter. So it was referred outside the time limits that apply
- But as the funds remained blocked after Epayments' final response, G is entitled to bring a new complaint to this service. Epayments' final response doesn't cover events after November 2022. So G can make a new complaint about the account continuing to be blocked from then until they were refunded

That means any redress would only cover the period from 10 November 2022 onwards

- If it wasn't for the weaknesses of Epayments' financial crime controls, G's account wouldn't have been restricted. Because of this Epayments is responsible for the impact on G and for them being deprived of their funds
- Epayments should pay G 8% simple interest on their funds from 10 November 2022 until the funds were released on 28 September 2023
- Epayments should also pay G £150 for the inconvenience it caused them
- 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

G agreed with what our Investigator said. However, Epayments offered to pay G 1% of their account balance from when the account was blocked, plus £150 compensation. G didn't agree.

As there is no agreement, this complaint has now 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.

Having done so, I've decided to uphold this complaint. I'll explain why.

As a regulated business, Epayments has certain obligations which it must comply with. Epayments is subject to regulation by the FCA. The FCA applied restrictions on Epayments for reasons widely publicised and detailed on its company website. As a result, Epayments suspended its operations. This has significantly impacted G, given they had no access to their funds since February 2020.

Whilst the FCA requested Epayments to suspend its activities there was nothing it could have done in relation to returning G's funds during this period. Epayments say it shouldn't be held fully liable for any detriment to G whilst the FCA's limitations were imposed.

After carefully considering this, I'm not persuaded it's fair or reasonable in the circumstances of this complaint to find Epayments didn't do anything wrong. I say that because Epayments had to suspend its operations due to failures on its part.

So I think Epayments should put things right by addressing the fact G have been deprived of their funds through no fault of their own. Because of this I think Epayments should pay G 8% simple interest for the period they've been unfairly deprived of their funds.

However, our Investigator made G aware their first complaint about the blocks was referred to this service outside the time limits that apply. And as a result, it's new complaint which this decision deals with can only cover the period from 20 November 2022 and onwards.

So Epayments should pay 8% simple interest to G from 20 November 2022 up until the funds were released to them in September 2023.

I note Epayments doesn't agree with any such compensation being added in this way. Awarding 8% simple interest when a consumer has wrongly been deprived of their funds is in line with the approach at this service. I haven't seen compelling enough reasons as to why G shouldn't be awarded compensation in this way, so I'm satisfied this is fair redress.

Epayments has sent me its internal notes to show why it took some time for it, and its banking partners, to meet KYC obligations before being able to return G's funds.

As a regulated business, Epayments must comply with extensive legal and regulatory obligations. These generally cover the entire period of its customer relationship – from application to eventually the end of the relationship. This includes Know Your Customer (KYC) checks and/or Customer Due Diligence (CDD). It's worth noting these checks include not just the verification of a customer's identity, but also establishing the purpose and intended nature of the business relationship and origin of funds.

This means I don't think Epayments have caused any avoidable delays with its KYC review.

Having read what G says and given how long they've been trying to recover their funds and having them blocked in this way through no fault of their own for most of the time, I'm persuaded they've been caused some inconvenience. Because of this, I'm satisfied £150 is fair compensation.

If Epayments, or its partners, have charged G any conversion or commission fees when releasing the funds, these should be refunded as I don't think it's fair or reasonable for them to be applied.

I'm aware Epayments is going through a winding down process. To be clear, it's not my intention to interfere with Epayments winding down of its business – that's not the role of our service. My role here is ultimately to decide a fair way to resolve individual complaints between businesses and their customers, based on the individual facts of the complaint.

Putting things right

To put things right, Epayments must:

- Pay G 8% simple interest on the money in their account, calculated from 10 November 2022 to 28 September 2023*
- Pay G £150 compensation for the inconvenience they've been caused
- Not apply any fees or charges for releasing funds to G – as detailed above. If it or its banking partner has applied such charges, they should be refunded

*If Epayments considers that it's required by HM Revenue & Customs to deduct tax from that interest, it should tell G how much it's taken off. It should also give G a tax deduction certificate if they ask for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons above, I uphold this complaint. Epayments Systems Ltd must now put things right as directed above

Under the rules of the Financial Ombudsman Service, I'm required to ask G to accept or reject my decision before 24 April 2024.

Ketan Nagla
Ombudsman