

The complaint

Mr P complains Epayments Systems Ltd (“Epayments”) won’t refund him his funds despite providing all the documents he’s been requested to. And that its unfairly evolving and making the process difficult.

What happened

As both parties are aware of the background of this complaint, I’ll only set-out the key elements here.

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 Mr P couldn’t access his funds.

The original restrictions were later lifted on 23 February 2022 and Epayments began the process of reviewing its customers’ accounts and refunding them. In October 2022, Epayments had to pause temporarily on its refunding of customer payments. But it re-started this process in July 2023.

Mr P was contacted by Epayments to provide it with information relating to fulfilling its KYC (“Know Your Customer”) obligations. The information it requested related to his occupation, source of funds, and bank account and address verification.

Throughout 2023, Mr P provided information but was told it wasn’t sufficient - generally because of the format and details that were presented on it. Unhappy with not being able to retrieve his funds, Mr P complained.

In summary, Epayments explained what had happened and why it requested the information it was asking for. Epayments also said it upheld Mr P’s complaint, and that it was sorry for any distress and inconvenience its KYC and refunds process had caused him. Epayments added that it must abide by its regulatory permissions and financial crime controls.

Mr P referred his complaint to this service. Epayments then said, following its KYC checks, that the funds were going to be released to Mr P imminently. It also offered 1% of Mr P’s balance and £150 as compensation. Mr P didn’t accept this offer saying it was insufficient.

Our Investigator then sent both parties their recommendation in which they upheld this complaint. In summary, they found:

- Mr P has been deprived of his funds for a significant period. The reason Epayments accounts are restricted was due to weaknesses in Epayments’ financial crime controls, which were identified by the FCA. So Epayments is responsible for the impact on Mr P from him not having access to his funds
- Once Epayments has completed its KYC checks, it should refund the funds to Mr P and pay him 8% simple interest on them from 11 February 2022 up until settlement. It should also pay him £150 for the distress and inconvenience he’s suffered. Any fees

or commission charged by Epayments, or its banking partners, should also be refunded

Mr P agreed with what our Investigator said. Epayments said it had refunded Mr P's funds on 22 January 2024 and said the refund process was delayed as Mr P had not provided the correct information and that it wasn't always in the correct format.

As Epayments didn't confirm whether it accepted our Investigator's recommendation, 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 in part. 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 Mr P, given he had no access to his funds since February 2020.

Whilst the FCA requested Epayments to suspend its activities there was nothing it could have done in relation to returning Mr P's funds during this period. Epayments say it shouldn't be held fully liable for any detriment to Mr P 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 Mr P has been deprived of his funds through no fault of his own. Because of this I think Epayments should pay Mr P 8% simple interest for the period he's been unfairly deprived of his funds.

Epayments may not 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 Mr P shouldn't be awarded compensation in this way, so I'm satisfied this is fair redress.

Mr P isn't happy with the KYC process Epayments is following including how long it has taken. 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 Mr P'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.

Given the information presented to me, I'm satisfied that Epayments was engaged with meeting its legal and regulatory obligations. And I don't think Epayments has caused any avoidable delays with its KYC review.

Having read what Mr P says about having the funds blocked in this way through no fault of his own for most of the time, I'm persuaded he's been caused some distress and inconvenience. Because of this, I'm satisfied £150 is fair compensation.

If Epayments, or its partners, have charged Mr P 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 Mr P 8% simple interest on the money in his account, calculated from when the account was first blocked up until settlement*
- Pay Mr P £150 compensation for the distress and inconvenience he's been caused
- Not apply any fees or charges for releasing funds to Mr P – 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 Mr P how much it's taken off. It should also give Mr P a tax deduction certificate if he asks for one, so he 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 Mr P to accept or reject my decision before 9 May 2024.

Ketan Nagla
Ombudsman