

The complaint

N, a limited company, complains that PrePay Technologies Limited 'PrePay' unfairly blocked and closed its business account. N is also unhappy that PrePay took too long to release funds held in the account.

N's complaint has been brought to our service by its director, Mr B.

What happened

In late May 2023 PrePay wrote to Mr B to say that it required further information regarding N's business further to a review of its account. It asked for information including a detailed summary of N's activities and the services it offers, its annual turnover, business address etc. It said the account was being suspended pending receipt of this information and that if the information wasn't provided in full this could lead to the account becoming permanently restricted and closed. It cited its terms and conditions and referred to money laundering regulations in support of this request.

Mr B responded the following day with the information requested. PrePay then requested further information regarding three transactions relating to three different businesses. It asked for a detailed description of the services or goods provided to N by those businesses.

Mr B said that the transfers were made to another account N holds with another bank and that the plan was to use N's PrePay account for emergencies or for jobs booked at short notice. He said this was correct accounting. He provided an invoice in relation to one of the businesses and said he expected to get more from others.

PrePay responded and asked for a bank statement for N's other account and also correspondence and agreements/contracts with those three businesses.

Mr B provided the bank statement. In relation to the contracts he said that for urgent jobs, details are decided on site without a written contract. He said invoices contained contact details for those businesses and so PrePay could directly go to them for information.

PrePay then asked for contracts/agreements in relation to another business which was mentioned in the statement for N's other account. It also asked for images of work carried out and correspondence in relation to the other three businesses. It said it was unable to contact third parties directly.

Mr B responded to say that he'd provided invoices for each of the transactions he had been asked about and that this should be sufficient. He also said that he spoke to his other bank

who said that PrePay should not be asking about transactions that don't relate to one of its accounts.

PrePay responded to say that as a regulated financial institution it is required to carry out due diligence checks and ongoing monitoring of accounts. It added that it needed to understand the source of the funds that were paid into N's account. It said if it wasn't able to complete its due diligence it would be obliged to close the account. PrePay added that one of the payments it was enquiring about had been paid into N's other account and then transferred over to the PrePay account. So it needed to understand the source of those funds.

Mr B didn't agree that those documents had to be provided and said this was further to confirmation from his other bank which said PrePay did not need to see this evidence. But he provided photographs and videos as well as correspondence from that particular business in addition to its direct contact details.

PrePay responded to say that further to a review of the account it had decided to close it with immediate effect.

Mr B wasn't happy about this and complained. He said that he provided all the information he had been asked for. He also believed that PrePay staff don't understand relevant regulations and overstepped their authority.

Mr B wrote to PrePay in July 2023 to say 48 days had passed and he still hadn't received his refund and that he wasn't happy it had made deductions from the balance while the account was suspended. He also said that PrePay had discriminated against him and against other customers who are from the same country of origin as him and that they were bringing a group action against it.

PrePay said its timeframe was 45 working days from the day Mr B provided N's other account details which was in early June 2023. It said the refund of £96.65 was being processed.

PrePay rejected N's complaint. It said a full refund was being provided and that no deductions were made while the account was suspended. It also denied that it had racially discriminated against Mr B. It said it is a diverse company and does not tolerate discrimination in any way.

At the time when Mr B complained to PrePay he also brought his complaint to us. He said he'd provided the information that PrePay had asked for, but this wasn't enough which led to N's account being closed. He added that PrePay's staff don't have sufficient knowledge of the relevant regulations and that a number of its staff are based abroad. He also felt he had been discriminated against.

Mr B also informed us that he and others whose accounts had been affected were planning on bringing legal action against PrePay for discrimination. But he said they would wait for our decision first.

One of our investigators considered the complaint but she didn't think PrePay was acting unfairly or unreasonably when it decided to close the account with immediate effect. She also didn't think it had discriminated against N due to Mr B's country of origin but she did think that it had delayed refunding N's money and said it should pay N £50 compensation for the inconvenience it was caused and 8% interest on the account balance for 30 days.

Neither of the parties agreed with our investigator's view. Mr B asked if our investigator had considered information about other accounts PrePay had closed at the same time which belonged business owners from the same country of origin as him. He added that he considers PrePay's actions to be illogical.

PrePay also disagreed. It said the refund was issued within the 45 working days stipulated in its terms and conditions.

As neither party agreed the matter was 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.

PrePay has important legal and regulatory responsibilities to meet when providing accounts to customers. Those obligations are ongoing and don't only apply when an account is opened. They can broadly be summarised as a responsibility to know its customers, monitor accounts, verify the source and purpose of the funds as well as detect and prevent financial harm.

PrePay will review accounts to comply with these responsibilities. It's common practice for banks and other financial service providers to restrict access to accounts to conduct a review- doing so helps prevent potential financial loss or other harm that could otherwise result.

PrePay's terms and conditions say that it can terminate its agreement with a customer (i.e. close their account) by giving two months' notice or with immediate effect in certain circumstances.

Having reviewed all the evidence, including the information PrePay provided in response to the investigator's view, I'm satisfied that PrePay was acting in line with its legal and regulatory obligations when it restricted N's account in June 2023.

I've also considered the basis for PrePay's review, which I find was legitimate and in line with its legal and regulatory obligations. So I'm satisfied PrePay acted fairly by blocking N's account.

PrePay asked Mr B for certain information and documentation most of which he provided promptly. Nevertheless, he wasn't able to provide some information such as contracts/agreements between N and other businesses. He did provide some messages and also video footage and photographs of the work that had been carried out. I am satisfied that

PrePay had been clear about what specific information/documentation it required from Mr B and that Mr B had understood what was required of him. I appreciate Mr B says there were no written contracts for certain jobs but I don't think PrePay's request was unreasonable.

PrePay completed its review within a matter of days and decided to close the account with immediate effect. As I said above this is something that it is able to do under its terms and conditions under certain circumstances. And this isn't something we would disagree with as long as it has done so in a way which is fair and complies with the terms and conditions of the account.

Having looked at all the evidence I'm satisfied that PrePay was acting fairly and reasonably when it closed the account with immediate effect. PrePay has provided some further details of its decision-making process which, unfortunately, I can't share due to its commercial sensitivity. But I've seen nothing to suggest that PrePay's decision around closing N's account was unfair.

Mr B is also unhappy about the fact that the balance was returned 48 days after he'd provided details of another account that PrePay could deposit the money into. PrePay says that under its terms this can take up to 45 working days. This may be in the terms and conditions but, in these specific circumstances which involved such a low amount, under £100, I think it would have been reasonable for the refund to have been issued within a matter of a few weeks. So, I think there was a delay here. Our investigator said PrePay should pay interest on the balance for 30 days. I think this is fair and reasonable bearing in mind that the refund, in my view, should have on balance been issued within a few weeks.

I also think the delay in issuing the refund would have caused N a certain amount of inconvenience and I agree with our investigator that £50 compensation is fair in the circumstances. I recognise that this wasn't N's main account so any inconvenience would have been minimal.

Mr B felt that he and other customers had been discriminated against by PrePay due to their race/country of origin. He said he had become aware of the fact that PrePay closed a number of other accounts for small businesses owned by customers who were from the same country of origin as him around the same time that N's account was closed.

Mr B has asked if we have considered evidence about other customer account closures. I should explain that our organisation's role is to consider complaints on an individual basis so this doesn't include a business's actions towards other customers. That is the role of the regulator, the Financial Conduct Authority ('FCA'). Each customer, however, could bring their own individual complaint to us. It follows that I'm not able to look at PrePay's actions in relation to other customers as part of this decision. Nevertheless, if Mr B is unhappy about this, he is able to refer the matter to the FCA.

I have gone on to consider Mr B's allegation that N specifically had been discriminated against as a result of Mr B's race. This is an allegation PrePay has refuted.

It's not our role to say whether a business has acted unlawfully or not – that's a matter for the Courts. Our role is to decide what's fair and reasonable in all the circumstances. In order to decide that, however, we have to take a number of things into account including relevant

law, which includes the Equality Act 2010 ('the Act'), and what we consider to have been good industry practice at the time. So although it's for the Courts to say whether or not PrePay has breached the Act, we're required to take the Act into account, if it's relevant, amongst other things when deciding what is fair and reasonable in the circumstances of the complaint.

Having looked at the evidence and taken the Act into consideration, I can understand why Mr B may feel that PrePay has discriminated against him but I don't think it has done anything improper. Nor do I think PrePay has acted unfairly or unreasonably. I say this because I haven't seen any evidence to show that PrePay's decision to review and close the account was based on anything other than an application of its terms and conditions and its adherence to its legal and regulatory obligations. I hope that it helps Mr B to know that someone impartial and independent has looked into his concerns.

My final decision

For the reasons above I have decided to uphold this complaint. PrePay Technologies Limited must pay N £50 compensation for the inconvenience it caused it and also 8% interest per year simple on the balance of £96.95 for 30 days to account for the delay in issuing a refund.

Under the rules of the Financial Ombudsman Service, I'm required to ask N to accept or reject my decision before 26 June 2024.

Anastasia Serdari
Ombudsman