

The complaint

M complain Wise Payments Limited (“Wise”) closed their account and withheld the funds. M add Wise’s actions are discriminatory due to the nationality of their directors, and that it’s failed to properly identify their country of residence.

M say Wise’s actions have caused it substantive financial loss, distress, and inconvenience.

What happened

The details of this complaint are well known by both parties, so I won’t repeat them again here in detail. Instead, I’ll focus on setting out some of the key facts and on giving my reasons for my decision.

In March 2022, Wise informed M it was no longer able to serve customers in Russia and will therefore close their account in 60 days’ time. Wise also explained the impact of the ongoing sanctions and recent developments in the region make it difficult for it to continue operating in Russia. Wise said M could withdraw their funds, but they no longer could add new funds.

Wise closed M’s account in line with its notice.

M has two directors, who I’ll now refer to as Mr M and Ms P. Both directors say they moved to a neighbouring state, who I’ll now refer to as “country X”. M is a registered company in the U.K.

Unhappy with Wise’s actions, M complained. Wise didn’t uphold M’s complaint. In summary, some of the key points it made were:

- Unless M can prove its directors have changed their address with supporting evidence their account will remain closed
- M has around £5 in their account and should advise Wise how these should be sent to them

M appealed Wise’s decision. Both Mr M and Ms P sent in information they say shows they were no longer resident in Russia. Wise looked at this and didn’t think the information Ms P provided was sufficient.

Mr M had a separate personal account with Wise. Ms P also had a separate personal account with Wise - that is being handled under a separate reference at this service. M referred their complaint to this service. One of our Investigator’s looked into it and recommended it be upheld in part. In short, some of their key findings were:

- Wise has provided evidence which shows Ms P was still using a Russian IP (internet protocol) address to access her account as late as 16 March 2022. So, Wise did nothing wrong in concluding Ms P was still conducting her financial affairs in Russia, and in closing M’s account

- Wise closed M's account in line with its terms and condition and gave M 60 days' notice
- Wise acted fairly in making a commercial decision to offboard M as a customer. Wise's decision to offboard M was based on evidence one of its director's resided in Russia – a country it no longer wanted to operate in
- The residency document Ms P sent Wise to show she moved to country X showed she was permitted to reside there for a month. It didn't show this was a permanent arrangement. The energy bill provided was dated in April 2022, after Wise had decided to close the account.

So Ms P hadn't provided Wise with substantive evidence to show she no longer resided in Russia

- If M can now show its directors aren't resident in Russia, they could if they wish, apply for a new account with Wise
- M say it lost out on income due to the account being closed. But as Wise did nothing wrong in closing their account, they don't need to pay them any compensation for financial loss
- Wise accept it caused a delay in returning the account balance. Wise say it made an error by not defunding the account to the nominated account details M provided it with. So it's offered to return the account balance and pay 8% simple interest from 13 November 2023. This is a fair

M didn't agree with what our Investigator said. As there is no agreement, this complaint has 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.

M say Wise's decision to close their account was discriminatory. Our role is to review whether Wise treated M fairly and its actions were reasonable. In doing so, I must take account all relevant laws and regulations. M is a separate legal entity to its directors, and I note it's a registered company in the UK. I also note Wise has important legal and regulatory obligations in ensuring no UK, or other international sanctions, might be breached.

It's well known that Russia was subject to substantive and rapidly evolving international sanctions in 2022. Wise said that due to the impact of ongoing sanctions and recent developments in Russia at the time, it was difficult for it to operate there. Wise can make commercial decisions based on its own risk criteria. And continuing to operate in Russia would expose it to the risk of breaching sanctions. M says Wise's decision was discriminatory. But I'm satisfied Wise took the actions it did because of legitimate commercial reasons. So it was entitled to close the account in the way it did.

Wise is entitled to close an account just as a customer may close an account with it. But before Wise closes an account, it must do so in a way, which complies with the terms and conditions of the account. Wise gave M 60 days' notice of its intention to close the account and they were able to access their funds during that time. This is in line with its terms.

M appealed Wise's decision saying its directors were no longer resident in Russia, but had moved to a neighbouring state, country X. Wise then asked Mr M and Ms P to send it 'substantial' evidence to show they were no longer resident in Russia. I'm satisfied Wise acted reasonably and flexibly here by doing so.

Wise was satisfied with what Mr M provided as proof of his changed residence. But it wasn't for Ms P. Wise has provided this service with an explanation and supporting evidence to show why it made this decision. Firstly, I note Ms P's residential permit was short term – one month. I also note the tenancy agreement ran from June to September 2022. This is some time after Wise had decided to close the account earlier in 2022, and it's also for a short-term period.

Wise has also shown me compelling evidence the account was most likely logged into online from an IP address in Russia after its notice to close had been sent. After weighing this all up, I'm persuaded it was most likely Ms P was still resident in Russia around the time Wise said it had decided to close the account. So I think Wise acted fairly in maintaining its decision to close the account.

M say Wise's actions caused them significant distress, inconvenience, and financial loss. As a separate legal entity, and as it's not an individual, I can't award any compensation for distress given that it's an emotion a company can't suffer. In any case, as I'm persuaded Wise hasn't done anything wrong, I see no basis to award any compensation for any inconvenience and financial loss M may have suffered.

Wise accept it made an error which resulted in M's funds being withheld for much longer than they should have. Wise has said it could've returned them by November 2023 and will pay 8% simple interest from that point until settlement. That is in line with our service's approach where a consumer has been unfairly deprived of their funds.

Putting things right

To put things right, Wise must:

- Return the funds in M's account to their nominated account
- Pay 8% simple interest on the funds from 13 November 2023 until settlement*

* If Wise considers that it's required by HM Revenue & Customs to deduct tax from that interest, it should tell M how much it's taken off. It should also give M 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 have decided to uphold this complaint in part. Wise Payments Limited must now put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask M to accept or reject my decision before 16 August 2024.

Ketan Nagla
Ombudsman