

The complaint

Mr J complains Vanquis Bank Limited (“Vanquis”) only asked him to provide source of wealth information once he’d deposited funds in his new savings account. Mr J says Vanquis should have made it clear that it required this from the application stage. Mr J is also unhappy Vanquis closed his account and returned the funds to him without any interest.

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 January 2023, Mr J opened a one-year fixed savings account with Vanquis online. Soon after, Mr J transferred £128,000 into it. Vanquis then asked Mr J to send it specific documents to verify his source of wealth.

On 6 February 2023, Vanquis restricted Mr J’s account whilst it was waiting for the documents it had requested. Mr J sent photocopies to Vanquis on 21 February 2023. As he had not heard from Vanquis, he contacted it by phone on 7 March 2023.

On this call, Mr J was told the photocopied documents were not sufficient for Vanquis’ checks. And that Vanquis’ website says he needs to send in original documents, or if he sends photocopies, they need to be certified. Mr J said he was struggling to get this information as he was on holiday and had not been told to send the documents in this way.

Mr J said he had gone out of his way to meet Vanquis’ demands but couldn’t. So he wanted his funds returned with the prevailing account interest for the time the funds were in the account. Vanquis’ agent said he could have his funds but not with the interest. Unhappy about this Mr J complained.

Vanquis upheld Mr J’s complaint in part. In summary, some of the key points it made were:

- Mr J said he was unwilling to provide the original documentation on a call with its agent on 7 March 2023. And he said he wanted the account closed with interest
- But the terms of the account say *“In the event that when you make your application we are unable to confirm your identity, residency, and/or source of wealth to our reasonable satisfaction any sum tendered by you as a deposit will be returned without interest to the account from which it originated”*
- Mr J’s balance of £128,000 was transferred to his nominated account on 23 March 2023. Vanquis only received a message from Mr J on the same day he had posted his original documents to it. But Mr J’s account had already been closed without any interest added at that point
- Vanquis clearly stated during the application process, and in its terms and conditions, that Mr J could be asked to verify his source of wealth any time during the business

relationship

- Call-backs to Mr J that were twice agreed were not carried out by Vanquis. Vanquis is sorry about this and offered Mr J £50 for the inconvenience this caused

Mr J referred his complaint to this service. He added that Vanquis failed to explain why after several attempts to meet its requirements, what he provided wasn't accepted; why its website wasn't working; why he couldn't get a response from a manager; and why it accepted his funds without confirming what information it required.

Mr J also questions why his funds were returned without interest when at that point Vanquis had the original documents it wanted.

One of our Investigator's then looked into Mr J's complaint. They recommended the complaint be upheld in part. In short, their key findings were:

- The terms of the account say Vanquis can return funds without applying interest if its unable to confirm the source of wealth. Mr J didn't provide the original documents in time, and Vanquis returned the funds without interest. In doing so, Vanquis has acted in line with its terms and conditions
- Vanquis could've acted more proactively given Mr J provided the photocopies on 21 February 2023, and only told him it was unacceptable when Mr J called on 7 March 2023. Vanquis should've informed Mr J much sooner to avoid delays
- As Vanquis say Mr J made it clear on the 7 March 2023 call that he wouldn't provide the documents in the way it wanted, it should've returned the funds to him at that point. Vanquis say it didn't do so as it was looking into Mr J's complaint. But the complaint is a separate issue
- Vanquis should pay Mr J £100 compensation as it didn't act proactively which caused delay. Vanquis should also pay Mr J 4.2% interest on the funds from 7 March 2023 – when they should've been returned – until settlement

Initially Mr J accepted what our Investigator said, but after receiving a cheque from Vanquis for less than he anticipated, he remained unhappy. That's because he maintains Vanquis should pay the account interest for the entire time it had his money.

This complaint was then passed to me to decide. I asked Vanquis to provide me with the following information:

- To send me the exact and full terms of the account when it was taken out in early 2023
- To send me any paperwork, calls, or system notes which would show what Mr J was informed about when opening the account
- To send evidence which shows Mr J was made aware he needed to send original or certified documents

Despite chasing this up, Vanquis has failed to respond.

Mr J says he opened the account online with Vanquis, and the source of wealth requirements were not explained to him. He adds that Vanquis took the money from him and only a few weeks after did it ask for the documents. And he had to wait for the statements

from his previous savings account provider to satisfy this.

Mr J says he thinks he disclosed the amount he was going to deposit at application but can't be sure. I then sent both parties my provisional decision in which I set out what I was planning on deciding. For ease of reference, here is what I said:

Provisional decision

"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 am planning on upholding this complaint. I'll explain why.

Source of funds and account application

The specific term Vanquis have relied on has been sent as an excerpt. That means I haven't been provided with the relevant terms that would apply to Mr J's application and account being opened. But I'm not persuaded that even if the term is accurate that it's been applied fairly.

I say that because the term specifically says ".....when you make your application we are unable to confirm your identity, residency, and/or source of wealth to our reasonable satisfaction any sum tendered by you as a deposit will be returned without interest to the account from which it originated"

Mr J had applied, and the account was opened for him to transfer funds into. This suggests the source of wealth exercise should've been carried out at the point of application. That clearly wasn't the case here.

Vanquis also say it clearly stated during the application process, and in its terms and conditions, that Mr J could be asked to verify his source of wealth at any time during the business relationship. Vanquis has obligations to meet, which includes carrying out due diligence such as Know-Your-Customer (KYC) and source of wealth checks.

Vanquis hasn't responded to any of my requests for further information which would help me determine if it clearly explained to Mr J that he would need to satisfy any source of funds request and if he didn't his funds wouldn't attract any interest. I've also visited its online site to see what is explained about this when applying for a similar product. I note its current terms are not the same as the one's it's referred to in its submissions. And the web journey that I was able to see didn't make it clear about this.

It's possible that the web journey Mr J followed may have made it clear that a source of wealth check may need to be satisfied before Vanquis pay the prevailing interest on the account. But from the information I have, I'm not satisfied that such information was sufficiently prominent or clearly explained.

Vanquis has also explained what prompted the source of wealth requirement based on its internal processes and policy. As I don't know what information Mr J had disclosed at application, I can't make a finding on whether Vanquis could've acted more effectively at the point of application to avoid Mr J losing out on any interest. Had Mr J been made aware, I think it's most likely he would've sent the source of wealth information to be verified before he sent funds to avoid any financial detriment.

The rules that I must follow when deciding a complaint are set by the regulator the Financial Conduct Authority (FCA). Specifically they are the Dispute Resolution rules, known as DISP

in the FCA's handbook. DISP 3.5.9 says an Ombudsman may.... (3) reach a decision on the basis of what has been supplied and take account of the failure by a party to provide information requested.

Vanquis say this information was clearly set out on its website. But I haven't seen how sufficiently prominent and clear this would've been when Mr J made his application. I also note Mr J says the website wasn't working.

So after carefully weighing everything up, and based on the information I have, I'm persuaded its most likely Vanquis failed to make it clear Mr J would need to satisfy a source of wealth exercise. And that failure to provide the required documents would lead to him not being paid interest on his funds at application. Because of this I'm persuaded, and I am planning on deciding, Vanquis should pay the account interest on the funds it was holding at the rate of the savings account. I understand that to be 4.2%.

Account closure

Banks in the UK, like Vanquis, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

Vanquis is entitled to close an account just as a customer may close an account with it. But before Vanquis closes an account, it must do so in a way, which complies with the terms and conditions of the account.

I have listened to the call on 7 March 2023. The key contents of which I've explained above. I'm satisfied what Mr J said was enough for Vanquis to conclude he refused to send the documents in the way it needed. Even if he later did. So I'm satisfied, Vanquis didn't do anything wrong in deciding to close the account.

Putting things right

I note Vanquis offered Mr J £50 compensation for the inconvenience he was caused by promised call-backs not being made by a manager. I'm not sure if this has been paid, but I'm satisfied this is fair compensation.

Given I'm planning on deciding Vanquis didn't do enough to make it clear at application what Mr J would need to do to satisfy its checks, I also think what ensued thereafter caused him distress and inconvenience.

Mr J was left without substantial funds and needed to make several calls to find out what was going on. Because of this, I'm persuaded Vanquis should pay an additional £150 compensation to the £50 it offered for its customer service issues. So that is £200 in total, or £150 if the £50 has already been paid.

For the reasons above, Vanquis also need to pay the prevailing account interest rate of 4.2% from the time the funds were deposited into the account until they were released to Mr J.

It's not clear if Mr J deposited the cheque he was sent for a period of the time he was deprived of his funds following our Investigator's recommendation. If he has, that amount should be deducted from the total I've set out above"

Mr J says he agrees with what I said I was planning on deciding. Vanquis hasn't responded. The deadline I set for both parties to send me further comments or evidence has now

passed. So I will now decide this complaint.

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 – and for the reasons in my provisional decision – I have decided to uphold this complaint.

Putting things right

To put things right, Vanquis must:

- Pay Mr J £200 compensation for the distress and inconvenience its caused. Vanquis can deduct £50 from this amount if it has already paid it to him
- Pay Mr J the prevailing savings interest rate of 4.2% on his funds from the time they were deposited until they were released back to Mr J*
- If Vanquis has sent, and Mr J has cashed in a cheque it previously sent for part of the time he was deprived of his funds as part of our Investigator's recommendation, this can be deducted from the above total

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 7 October 2024.

Ketan Nagla
Ombudsman