

The complaint

T is a company registered in Gibraltar, and it has brought this complaint through its director, whom I'll refer to as Mr H. T complains that Wise Payments Limited suspended and then closed its account without notice and that it did not explain why it had done so.

What happened

T was set up to deal in financial futures. Mr H has explained that it has not traded for a number of years and that it is no longer regulated. The main reason it remains open is to collect a debt which is owed to it.

In March 2023 Wise contacted Mr H seeking further information about T's activities and finances, including the source of its funding. Wise described the checks as "routine". Mr H responded to Wise's requests almost immediately.

However, Wise then decided to close T's account without notice and without giving any reasons.

Mr H complained about Wise's actions. He said that, in the absence of criminal or similar activity, Wise had no right to restrict T's account or to close it without notice. Further, it should have explained why it had taken those steps; he said that T had acted lawfully and there was therefore no justification for Wise's failure to do so.

Wise did not agree and said that it had acted fairly. It did however offer T £50 in recognition of some administrative failings. Mr H did not accept the offer and referred the matter to this service.

One of our investigators considered what had happened. Initially, he recommended that Wise increase its offer to £150, but then reconsidered that conclusion and indicated that he thought Wise's offer of £50 had been fair after all. Mr H asked that an ombudsman consider T's complaint and issue a formal decision.

I did that and issued a provisional decision, in which I said:

Banks and other account providers have certain legal and regulatory duties. To meet those obligations, they may in some cases review accounts, and are generally entitled to restrict them while they carry out a review. In some cases, they may be under a duty to do so.

Further, it is generally for banks to decide whether to provide, or to continue to provide, account services to any particular customer. They can exercise their commercial discretion in such matters and, as long as that discretion is exercised legitimately, this service won't usually intervene.

Wise has provided little information about its reasons for restricting and then closing T's account. I have therefore considered what the account terms say about those matters. I have not however been provided with the account terms which applied at the time of the restriction and account closure. I have assumed that the current terms (which were last

revised in May 2024) are broadly similar – but Wise will be able to direct me to any significant differences.

Clauses 8.2 and 8.3 of the current business account terms say that the customer must not misuse Wise's services, and provides a wide-ranging list of activities which might constitute misuse.

The business account terms say, at clause 8.4:

"We may suspend your Wise Account or your access to our Services. We may suspend your profile or Wise Account, or restrict its functionality if we have reasonable concerns about:

- (a) the security of your Wise Account or your profile.
- (b) suspected unauthorised or fraudulent use of your Wise Account or our Services;
or
- (c) suspected violations of this Agreement or the Additional Documents, including our Acceptable Use Policy."

Clause 8.5 says:

"We will give you notice of any suspension or restriction and the reasons for such suspension or restriction as soon as we can, either before the suspension or restriction is put in place, or soon after, unless notifying you would be unlawful or compromise our reasonable security measures."

Clause 8.6 includes a non-exhaustive list of actions which Wise might take if any of the actions listed in clause 8 have been taken by the customer. They include immediate closure or suspension of the account.

Clause 9 deals with account closures and includes, at clause 9.7:

We may end this Agreement by giving you two months' notice. We may terminate this Agreement and close your Wise Account or any Services associated with it by giving you two months' prior notice, where required.

As I have indicated, Wise does not appear to suggest that T has misused the account or that it had any of the concerns referred to in clause 8.4. Nor has it identified any reason why it should not tell T why the account was restricted; clause 8.5 therefore appears to require it to give reasons for any restriction, although not for closing the account.

Clause 9 does however allow for closure on two months' notice – whether or not the customer has misused the account and whether or not Wise has any of the concerns referred to in clause 8. That is, it can close an account for purely commercial reasons and in the legitimate exercise of its own discretion, as long as it gives two months' notice of its intention to do so.

Based on the evidence I have seen, therefore, my current view is that Wise was within its rights to close the account but that it should have given T two months' notice of its intention to do so.

I have therefore considered what impact its failure to give notice had on T. As I have indicated, T was no longer trading, and had not done so for some years. Mr H has said that he did not try to open a new account, since it was unlikely that it would be possible for a Gibraltar company which was not trading [...] to do so. I accept that is the case.

Mr H has said too that the company was funding litigation. If it can no longer do so (since it has no account), he will have to pay legal fees from his personal funds. That will make it more difficult or impossible to recover VAT on those fees. I think that is probably true as well. However, that would have been the case even if Wise had acted as it should have done and given two months' notice of closure.

In conclusion, therefore, whilst I am not persuaded that Wise acted fairly in this case, I do not believe that T has suffered any actual financial loss or any material inconvenience as a result – and certainly none which would merit an award of compensation. I therefore leave it to T to decide whether to accept Wise's settlement offer, assuming it is still open.

Wise accepted my provisional decision. Mr H, on behalf of T, did not, so I have reviewed the matter and his further submissions, which I'll discuss below.

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.

Mr H made two main points in response to my provisional decision. He noted that I said that Wise had not suggested the account had been misused or that it had any of the concerns referred to in clause 8.4. But in fact Wise's final response letter had said it had acted in line with clauses 8.4 and 8.5 when it had "*deactivated*" the account.

I understand Mr H's point here. In my view, "*deactivation*" could mean suspension or closure, depending on the context. But the reference to the account being deactivated, together with the reference to clause 8.4, suggests the account was being suspended. But the reality, as Mr H knew at the time, was that it was being closed with immediate effect. The point I was making in my provisional decision was not that Wise had not referred to clause 8.4 at all, but that it had not shown that it had any of the concerns listed there. It is that which led me to the provisional conclusion that Wise should have given notice before closing the account.

The second point which Mr H made was that he had received a fee note in respect of legal proceedings dated 8 June 2023, which included VAT of £170. Had Wise given two months' notice of closure, it is likely that T's account would still have been open at that point and it would have been able to pay the fee note.

Again, I understand Mr H's argument. It appears that the decision to close T's account was taken in early May 2023, so it's possible that it would still have been open in June. Had the account still been open, it's possible too that T could have made the payment (although, since it was no longer trading, it would have required funding from somewhere else) and recovered the VAT element – assuming of course it was registered for VAT in the UK.

Even if all those criteria were met, however, I do not believe that I can properly make an award in T's favour. Mr H says that, because T could not pay the fee note, he has had to do so. That is, any financial loss has fallen on him, rather than on T. But, in the context of a complaint brought by T, I can only make an award in favour of T. I have no power to make an award in favour of Mr H.

My final decision

For these reasons, my final decision is that I do not uphold T's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask T to accept or reject my decision before 9 October 2024.

Mike Ingram
Ombudsman