

The complaint

L complains Zempler Bank Limited, trading as Cashplus Bank, blocked their account and failed to properly carry out its due diligence causing significant avoidable delay. L say Cashplus' actions caused it substantive financial loss and inconvenience.

To keep matters simple, I will mainly refer to "Cashplus" in my decision.

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 early March 2023, Cashplus carried out a review of L's account and asked them to provide two proofs of identity and two proofs of address for its director. I'll now refer to L's director as "Mr K".

Cashplus sent L an email requesting for them to do this and upload the documents through its internet-based portal. As L didn't carry this out and respond by 30 March 2023, Cashplus restricted their account.

Between April 2023 and January 2024, L's director made several attempts to send acceptable documents to Cashplus but was told that not all the documents were acceptable to satisfy its verification checks. Cashplus completed L's review on 12 January 2024, and the account was reinstated. L say they then withdraw the funds which were around £6,000 as they no longer want to do business with Cashplus.

Unhappy with Cashplus, L complained. Cashplus upheld L's complaint in part. In summary, the main points it made were:

- L spoke to Cashplus' advisors several times and sent in documents some of which were acceptable, and others weren't. But on 29 May 2023, Mr K had provided acceptable proof of identity as he'd provided his passport and driving licence copies.

But his credit card statement and a solicitor's correspondence couldn't be verified - printouts from emails, websites and branches can't be accepted. Later in August 2023, the solicitor's letter was accepted but a credit limit increase from a credit card company wasn't

- Mr M provided further documents which Cashplus say it should've accepted in October 2023, but erroneously didn't. Cashplus is sorry about this. It otherwise completed its review in January 2024 when access was reinstated
- Cashplus reserves the right to request documents for due diligence purposes and to fulfil its regulatory obligations
- In recognition of its error, and as a gesture of goodwill, Cashplus would like to offer L

£100 for the inconvenience caused

L referred their complaint to this service. One of our Investigator's looked into it, and they recommended it was upheld in part. In short, their key findings were:

- Cashplus has important regulatory obligations it must follow like 'Know-Your-Customer' ("KYC"). It's important for Cashplus to explain what it needs to fulfil these, by what date, and explain any consequences if it doesn't receive what it needs.

Cashplus contacted L in early March 2023 to ask for what it needed. And that the documents needed to be uploaded on its portal, and it provided a web link to information about what documents, and their format, it required. As L didn't meet the deadline, Cashplus blocked their account. Cashplus acted fairly when blocking L's account

- But the account should've been unblocked much sooner. Mr K had provided satisfactory documents much earlier than when Cashplus completed its review.

Proof of identity: Cashplus accepted Mr K's passport in April 2023. Mr K had to apply for a new driving licence as the one he had was outdated and he couldn't provide a copy of the back of it. Mr K says he was able to upload both sides of his new driving licence on Cashplus' portal on 28 April 2023. There isn't any evidence of this. But the new driving licence was deemed acceptable on 29 May 2023 by Cashplus – so they're satisfied the ID requirements were met at that point

Proof of address: Mr K phoned Cashplus on 5 April 2023 and was told certified documents would be acceptable. On that call, Mr K was also told he could scan these documents and upload them to Cashplus' portal. This is reasonable given Cashplus instructed him to upload the documents.

Mr K provided a certified copy of his credit card statement dated 30 March 2023, and a certified solicitor's letter on 3 March 2023. Having checked Cashplus' list of acceptable documents, they are on there. Mr K was later told scanned documents weren't acceptable and he'd need to send them in the post contradicting what he was told on a previous phone call

- So, Cashplus had satisfactory proof of both ID and address by 29 May 2023. L were therefore treated unfairly and deprived of their funds for much longer than they ought to have. This caused it avoidable inconvenience
- L has provided information which shows they had to delay its service to a client whilst making alternative banking arrangements. But they would expect L to take reasonable steps to mitigate any impact by making alternative arrangements. But Cashplus should compensate L for the inconvenience they've been caused, and for being deprived of their funds
- L hasn't provided evidence of suffering financial loss. So to put things right, Cashplus should pay L 8% simple interest from 29 May 2023 until 12 January 2024 when the account was unblocked. It should also pay L £250 for the inconvenience it's been caused

Cashplus didn't agree with what our Investigator said. It reiterated that it's processes for such reviews, and concerns, mean two proofs for both ID and address are required.

L also didn't agree completely with what our Investigator said. L say it should be compensated for the loss of business it incurred due to what Cashplus did wrong. L say their relationship with one of their main clients was disrupted for around ten months due to the client's compliance requirements. To support this L have sent in copies of invoices to their main client for six months leading up to the blocks being applied. L explain that the last invoice shows they had to use a personal account to facilitate a payment.

In response, our Investigator explained:

- L didn't lose their main client due to what Cashplus did wrong. That's because Cashplus acted fairly when blocking their account as part of its review. As the account was blocked in March 2023, L should have taken reasonable steps to mitigate the impact. This includes opening another account which L did do later but it appears not quickly enough
- The latest invoice L have sent is dated in April 2023. L was aware by this time of the issues they were facing. And they hadn't provided sufficient proof of ID and address at that stage to Cashplus. So they can't find Cashplus was responsible for the relationship breakdown with L's main client

As there's no agreement, this complaint has been passed to me to decide.

What I've decided – and why

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything L and Cashplus have said before reaching my 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 have decided to uphold this complaint in part. I'll explain why.

Account review and restrictions

Financial businesses in the UK, like Cashplus, 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 Cashplus needs to restrict, or in some cases go as far as closing, customers' accounts.

Cashplus has explained and provided some supporting information for why it reviewed, asked for verification documents, and later blocked L's account. Having carefully considered this, I'm satisfied Cashplus acted in line with its obligations. It's worth noting, these obligations generally cover the entire period of its customer relationship – from application to eventually the end of the relationship. This includes KYC checks and/or Customer Due Diligence (CDD). It's worth noting these checks include the verification of a customer's identity.

It's likely L would like a detailed explanation for Cashplus' actions here, but it is under no obligation to do so.

Cashplus' handling of the verification process

From the evidence Cashplus has provided, I'm satisfied that it had acted properly when deeming the two proofs of identity from Mr K as acceptable by 29 May 2023. In reaching this finding, I've considered Cashplus acted in reasonable time when checking them.

I've also listened to the call Mr K had with Cashplus' operative on 5 April 2023. And I note that he was told that he can print out pdf's given he receives his documents electronically and get them certified. And that he could scan and upload them to satisfy the proof of address requirements. A certified letter from a solicitor and credit card statement were ultimately deemed sufficient by Cashplus.

I note that on Cashplus' web page that sets out what is acceptable proofs, both address verification documents need to be sent to it by post, and in original form. But given both have been certified by a Solicitor who I can see worked for the regulated law firm, I think it would've been reasonable for Cashplus to have accepted this, particularly as its operative had said it was.

So, because of these reasons, I'm persuaded Cashplus had enough by 29 May 2023, and it should have unblocked the account thereafter and not in October 2023 when it says it should have – but equally failed to do so.

Fair redress

L has been deprived of their funds from 29 May 2023 up until they were released in January 2024. It is the approach of this service generally to award 8% simple interest in circumstances like this, and I see no reason why that shouldn't be the case here. Had L had access to these funds when they should have, its most likely they would've utilised the funds as part of their normal business activities.

L cannot suffer distress given it is a separate legal entity to that of a private individual who can suffer such an emotion. Chasing this matter up, and the time it would've have taken L's director away from their usual business activities is an inconvenience to them. Having given this careful thought, I'm persuaded £250 is fair compensation.

L say that it should be compensated for the financial loss its incurred, especially as it wasn't able to do business with one of its main clients due to their compliance requirements for around ten months. To show what losses it likely incurred because of this, L have sent me several of its invoices leading up to and after the blocks were applied.

I note in April 2023, the invoice set-out Mr K's personal bank details in the way he says he was compelled to. But L has provided invoices from January 2023 in which show L had at least two different accounts in their business name. So it's probable that L did have an alternative account.

But even if that wasn't the case, I don't think it makes a difference here. That's because Cashplus acted correctly in blocking L's account until the end of May 2023, and a commercial enterprise should take mitigating steps to avoid any business disruption. The two months leading up to this date should've been sufficient for L to have made alternative banking provision. So I don't think Cashplus' failings have led to financial losses that L could reasonably have mitigated against.

Putting things right

To put things right, Cashplus must:

- Pay L 8% simple interest on their account balance from 29 May 2023 until the account was unrestricted in January 2024*
- Pay L £250 compensation for the inconvenience they've incurred

*If Cashplus considers that it's required by HM Revenue & Customs to deduct tax from that interest, it should tell L how much it's taken off. It should also give L 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. Zempler Bank Limited trading as Cashplus Bank must now put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask L to accept or reject my decision before 22 November 2024.

Ketan Nagla
Ombudsman