

The complaint

Mr A complains that Modulr FS Limited, trading as HyperJar Limited, unfairly blocked his account for a review.

What happened

Following a payment of £500 into Mr A's account in April this year, HyperJar contacted Mr A asking for information to prove his entitlement to the funds. Although Mr A provided some information, HyperJar wasn't satisfied that Mr A had proved his entitlement to the funds. Specifically, it asked him for a statement from the sender's account. Mr A couldn't provide this so HyperJar decided to return the funds in his account to source (totalling £520) and close his account immediately.

After Mr A complained, HyperJar explained it had acted fairly and in line with its terms and regulatory obligations.

Remaining unhappy, Mr A asked this service for an independent review of his complaint. Mr A believes that HyperJar acted illegally and is unhappy the funds in his account were returned to source without his permission. He wants HyperJar to reimburse him for the £520 that it returned to source and pay compensation for the inconvenience he says he's experienced.

One of our investigators issued their outcome explaining that HyperJar had acted fairly. Mr A didn't agree – he says he shouldn't be held accountable for verifying a third-party that's sent funds to him. He also feels HyperJar acted outside the scope of its terms. Mr A asked for a final decision, so the complaint has been passed to me.

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.

I'm not upholding this complaint – I'll explain why.

Financial firms that operate in the UK (including HyperJar) are required to carry out specific actions to meet their legal and regulatory obligations. This includes the requirement for firms to complete ongoing monitoring of existing business relationships. And that sometimes results in firms deciding to restrict or - in some instances - close customer accounts.

HyperJar has provided me with information to show why it reviewed Mr A's account. Having considered this, I'm satisfied HyperJar acted in line with its regulatory obligations. HyperJar is also under no obligation to explain why it conducted a review.

It's important that I point out that our rules allow us to receive evidence in confidence. We may treat evidence from firms as confidential for several reasons – for example, if it contains security information, or commercially sensitive information. Some of the information HyperJar has provided is information I consider should be kept confidential.

Mr A remains unhappy that, as part of its review, HyperJar asked him to provide a third-party statement to prove his entitlement to the funds in his account. Mr A says the third-party was an associate of his, who was repaying a cash loan Mr A had lent. Mr A claims he had a relationship breakdown with this individual and so he was unable to provide the information HyperJar asked for. He adds that it isn't his responsibility to verify the third-party either. Mr A is also unhappy that his funds were returned to source without his consent.

HyperJar says it provided Mr A with additional time to provide the information it had asked for. Mr A was unable to fulfil this request, so it decided to return the funds to source and close his account. The firm has also shared evidence showing the funds were indeed returned to source.

HyperJar's regulatory obligations require it to conduct checks and reviews, and this includes verifying the origin of funds. Under its terms, HyperJar can request evidence of the source of funds and requires customers to respond promptly. However, I do understand Mr A's concern about providing third-party information, given that information in a bank statement would be personal to the third-party and include details of their spending and account usage – information that would typically be considered as confidential.

It's not for me to decide though on HyperJar's procedures when carrying out its obligations. I can only reach a finding on whether it carried out its obligations in a fair and reasonable manner. I also don't think I need to make a finding on whether HyperJar's request for the third party's bank statement was reasonable.

I say this because I think HyperJar could've done more with its investigation before deciding to return the funds in Mr A's account to source. HyperJar could've asked Mr A further questions and for information about the funds he lent to the third-party. This includes any written records such as an agreement or messages, or records to show that Mr A indeed lent funds to this individual.

However, our investigator asked Mr A for more information along these lines but he was unable to provide the details we requested. So I'm persuaded Mr A hasn't been able to evidence his entitlement to the funds. Given this, I don't think that HyperJar's failure to make further enquiries makes a difference here. Had HyperJar asked Mr A questions in line with what I've said above, I think it's more than likely that it would've reached the same decision – which is to return the relevant funds to source. So I won't be asking HyperJar to do anything because of this.

I know Mr A is dissatisfied that this was carried out without his consent, however, HyperJar's regulatory obligations allow it to do so.

To conclude, I'm satisfied HyperJar acted fairly in the way it conducted its review of Mr A's account. Although I think HyperJar could've made further enquiries, given Mr A was unable to fulfil this service's request to do so – I'm satisfied it was fair for HyperJar to return the funds in his account to source.

My final decision

For the reasons explained, I'm not upholding this complaint.

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

Abdul Ali

Ombudsman