

The complaint

Ms H complains Modulr FS Limited unfairly blocked her account, then closed it and returned funds back to source after completing a review. She wants the funds repaid to her.

What happened

Ms H held an account with a firm who I'll refer to as P, for which Modulr is responsible. Our investigator's view referred only to P, but P has confirmed Modulr is the correct respondent firm to which this decision should be addressed.

During September 2024 Modulr carried out a review on Ms H's account and stopped her carrying out further transactions. They concluded their review and decided they weren't happy about the activity on the account and the information Ms H provided. They decided to return the funds they held back to source.

Ms H complained and Modulr upheld her complaint in part. They said Ms H's account fell outside their risk appetite, their review was in line with their legal and regulatory obligations, and they acted in line with their terms and conditions. They offered £30 in full and final settlement of the complaint as they found providing her with a resolution took longer than expected.

Ms H brought her complaint to our service. Our investigator decided not to uphold the complaint. They said:

- Modulr acted fairly and in line with their terms and conditions, and they didn't need to provide their reasons for closing the account to Ms H.
- Ms H told our investigator the payments which Modulr returned to source represented exchanges for cash she held. But this differed to what she told Modulr. And, she hadn't presented evidence to support her entitlement to the funds.

Ms H asked for a final decision from an ombudsman, so her complaint was 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.

I've decided not to uphold Ms H's complaint. I'll explain why.

Modulr have important legal and regulatory obligations to meet when providing accounts. They can broadly be summarized as a responsibility to know their customer, monitor accounts, verify the source and purpose of funds, as well as detect and prevent other harm. Periodically or where a concern arises, firms will usually carry out a review and sometimes block accounts until the review completes or their concern is allayed.

I've considered Modulr's reasons for carrying out a review, their decision to block the account, return the remaining funds to source and close the account without Ms H having further use of it. I find they had a legitimate basis for concern, and it was proportionate and reasonable not to allow Ms H to carry out further activity during their review.

Modulr asked Ms H for information, including evidence to establish the source of funds in the account. Their records show she provided them with copies of messages about the supply of some form of equipment, although the amounts referenced do not match the payments Modulr returned. Modulr weren't satisfied by what she provided, and I understand why.

Ms H's explanation for the payments into her account lacks credibility and I find it concerning. She has not satisfactorily explained why multiple third parties who held funds in their own accounts had no access to cash themselves, why they needed cash urgently or how she came to be involved in such an arrangement. I have weighed too that she gave a completely different explanation for the payments when she first brought her complaint to our service - she initially said they represented her selling catering equipment. I find no satisfactory explanation has been given for what is an apparent contradiction.

Based on the above, I don't find Modulr ought to have been satisfied Ms H was entitled to the funds in her account, and I don't find they need to refund any payments or pay her compensation. I'm satisfied they reasonably complied with their terms by returning the payments to source. And, given the nature of their concerns and Ms H's responses, I'm equally satisfied their decision to close the account in the manner they did was fair.

My final decision

My final decision is I do not uphold Ms H's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms H to accept or reject my decision before 14 April 2025.

Liam King
Ombudsman