

The complaint

B, a limited liability partnership, complain that Stripe Payments UK Limited blocked and subsequently closed their account. They are unhappy funds were withheld from them and say this damaged their reputation and led to them incurring additional costs.

What happened

B had an account with Stripe, which they used to receive payments. In February 2024 they received a payment of £10,000 from a client related to a sale of a property.

Shortly after Stripe contacted B to say a review had been conducted and they would no longer be accepting payments on behalf of B. They were initially told any payments would be refunded to the payer in the coming days, although this did not happen and the £10,000 remained in B's account.

B complained to Stripe, saying that they were delaying the sale of the property. Stripe responded to say they had decided that B's account represented too high a risk for them, and because of the high risk of losses the funds would not be released for 120 days.

Unhappy with this B referred their complaint to our service, saying that Stripe's actions had damaged their reputation. They also said because of this they had been required to use their own funds to complete the purchase – and because of this had incurred a solicitor's fee of £900 in taking a charge over the property in case the funds were returned to the purchaser. They also questioned Stripe taking a fee for a transaction they said wasn't completed.

In April 2024, before the complaint was considered by our investigator, Stripe contacted B to say that they had reversed their position, and the account would remain open. The funds were released to B.

Our investigator thought the complaint should succeed. They reasoned Stripe were entitled to review accounts and block them while they do. But the investigator thought Stripe should have informed B about withholding the funds earlier, and not led them to believe the funds would be returned to the payer. They thought that this had damaged B's reputation and caused unnecessary delays and inconvenience to them. They suggested that to resolve the complaint Stripe should pay £600 compensation, and the £900 solicitor's fee.

This was rejected by Stripe, who said they were entitled to withhold funds if they thought there was a risk and disputed that they should be responsible for B having to pay a solicitor's fee. As no agreement could be reached the complaint was passed to me to decide. I reviewed the file and reached the same overall outcome as the investigator, although my reasoning was different. I issued my provisional decision which said:

It's right to say that Stripe, like all regulated financial businesses in the UK, have a duty to monitor their customer's accounts for signs of financial crime and financial distress. In the course of this, it may be necessary for them to carry out review of an account, to better understand how it is being used. And they decide to prevent any further transactions on the account while they do this – there is provision for this in the terms of B's account with Stripe.

There's no specific obligation on Stripe to explain to B why a review has been conducted, or payments prevented. In this case they have said that they felt B's account represented too high a risk for them. Stripe have sent further information to our service about their reasoning for review. Our rules allow us to receive certain evidence in confidence, for example if it contains security information or details of third parties. In this case I'm satisfied that's appropriate their further reasoning remain confidential, so I'm sorry to B that I won't be detailing it in full here. But I see that it was reasonable for Stripe to conduct a review into B's account activity.

However, the result of the review was that Stripe decided to close B's account and retain the funds. I see that this happened very quickly – the day after the payment of £10,000 was received. I'm not persuaded that the review into B's account was conducted with a reasonable level of care. And ultimately Stripe have explained that we it was rereviewed in April 2024 they decided to reverse the closure and release the funds. It's unclear why this decision wasn't reached in February 2024, when the blocks were initially applied. I haven't seen any indication there was any substantially new or different material evidence available. In any event, I don't see that Stripe have treated B fairly in the handling of the review and decision to close.

It follows that I don't see that it was reasonable for Stripe to retain the £10,000 for as long as they did. Stripe have pointed out that their terms allow them to retain funds if they consider it a risk, but they are also obliged to treat their customers fairly. Stripe haven't been able to explain to my satisfaction why this risk existed in February 2024 but had dissipated by April. So, even though Stripe have the right to review an account and retain funds while they do, I'm satisfied they could have released these funds much earlier than they did – either to B, or returning to the payer.

Stripe have said that the funds could have been returned, if B had paid their fee. Although it doesn't seem reasonable to expect a fee be paid when they were effectively declining to process the transaction at the time. But when Stripe released the funds, I'm satisfied the fee they deducted was in line with their terms, and amounts taken on previous transactions on B's account.

B have said they eventually made the payment using their own funds but incurred a solicitor's fee of £900 as they took a charge over the property. This was to safeguard themselves in case the payer had the funds returned directly to them. B haven't shown that this fee was paid – for example a bank statement showing the payment was made. But in principle I accept this isn't an unreasonable action to mitigate their circumstances.

This fee wouldn't have been necessary but for Stripe retaining these funds longer than was reasonable. And I'm satisfied that B had explained to Stripe the nature of the transaction, so the likelihood of additional costs was reasonably foreseeable. I'm satisfied it would be appropriate for Stripe to pay this and include 8% simple interest per annum on this amount for the time B spent without these funds, subject to B providing proof of payment to the solicitor.

B have said that Stripe retaining the funds affected their business' reputation. And I'm satisfied that given the nature of their business and dealing with time sensitive issues such as property sales, reputation for reliability can be important. B have also highlighted that they were told the funds would be refunded to the payer, which they relayed to them. And when this didn't happen this was further harm to B's reputation, and required the partners spend more time trying to resolve the issue. So, I see that it would be appropriate for Stripe to pay compensation to B. Having considered this carefully I see that an amount of £600 would be appropriate.

B responded and sent me a copy of their payment for the solicitor's invoice. Stripe acknowledged the provisional decision but didn't offer any further comments.

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 reviewed the evidence afresh, and in the absence of any new or substantive points from either party to consider, I remain satisfied with the conclusions reached in the provisional decision. It was reasonable for Stripe to carry out a review of B's account activity – but ultimately, I'm not persuaded that the outcome of the review was fair, for the reasons given in the provisional decision.

I don't see that it was reasonable to withhold the £10,000 for as long as it was, nor to give B the expectation that the funds would be returned to the payer. I'm satisfied this will have had an impact on B's reputation, due to the nature of their business. And I'm satisfied the cost of the solicitor's invoice wouldn't have been necessary if Stripe hadn't retained the funds longer than was reasonable.

I've considered the payment advice B has now provided. This is for more than the invoice, but B have explained that this included other services provided by the solicitor which are separate from this. I accept this explanation, so it's reasonable for Stripe to pay the £900 fee – in addition to 8% simple interest per annum for the period B were without these funds. If Stripe believe HMRC requires them to deduct tax from that interest award, they should let B know how much has been taken, and give them a tax deduction certificate showing so, should B ask for one. The £600 compensation awarded remains what I consider to be fair in the circumstances of the complaint.

My final decision

My final decision is that I uphold this complaint and direct Stripe Payments UK Limited to settle it as outlined above. Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 27 March 2025.

Thom Bennett
Ombudsman