

## **The complaint**

A company which I'll call 'S' complains that Stripe Payments UK Ltd didn't validate its customer identification which allowed a fraudster to take payment for goods which weren't delivered. S was caused a loss from this as it had to reimburse those payments.

The complaint is brought on S's behalf by its director, Mr B.

## **What happened**

Mr B told us:

- Stripe has a 'connect' platform that S uses to connect its customers and merchants. S pays the processing fee for any transactions between its 'users' of the platform. As part of the 'connect' service which S uses, Stripe undertakes an onboarding service where it collects identification from the merchants who want to accept payments from their customers and subsequently verifies this information.
- In November 2023, a merchant (who I'll refer to as 'D') opened an account with Stripe. D then took around £2,500 of payments for goods from different customers via S, however those goods were never received.
- As D's customers didn't receive the goods, the customers raised chargeback requests. As there was an insufficient balance in D's user account, S had to refund the remainder which totaled £2,024.24. S then looked to recover the funds from D but was unable to do so as the information obtained by Stripe when D's account was opened was incorrect.
- He complained to Stripe that it hadn't verified D's information correctly, and that the residential address D provided didn't exist, so S hadn't been able to recover the £2,024.24 from D.
- S had a contractual agreement with Stripe for it to verify S's platform users such as D. Therefore, he felt that Stripe hadn't met its obligations when verifying D and providing it with an account. Therefore, Stripe's insufficient checks had caused S a financial loss.
- He wanted Stripe to refund the £2,024.24 financial loss and pay compensation for the inconvenience caused.

Stripe told us:

- The connect platform collects the required identification documents from users and this is provided to Stripe. This information can be personal information about company representatives, owners, controlling parties, or the company itself.
- In some cases, Stripe can verify the information by confirming some or all, of the data

which was provided by the user. On other cases, it will request further information such as copies of identification. In this case, it had verified the address provided by D electronically and was satisfied that this was a valid address – it didn't have to be a residential address.

- Its process is such that after a certain volume of payments are processed by a user, further verification documents would be requested. This wasn't required in this case.
- It was satisfied that it had followed its process and hadn't done anything wrong. Our investigator didn't recommend the complaint was upheld. She said that in line with the DISP rules our service must follow, she couldn't share information about the checks Stripe had undertaken or its process which was confidential. However, she was satisfied that Stripe had undertaken verification checks in line with its process and hadn't done anything wrong.

S didn't agree and asked for an ombudsman to review the complaint. It remained of the opinion that Stripe couldn't have undertaken any verification checks as the address provided by D didn't exist.

I issued a provisional decision on 11 March 2025. I said the following:

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've decided to uphold it. I'll explain why.

Stripe says that it hasn't done anything wrong as it has followed its process and undertaken sufficient checks before opening an account for D. But I'm not persuaded that Stripe did act fairly. Firstly, I do want to acknowledge that there appears to be some confusion between the parties about whether D was required to provide an a residential or business address, but I'm not persuaded that actually makes a difference here. I've looked at Stripe's process and I'm satisfied that the address provided by a potential user doesn't have to be a residential address, so I don't think it's unreasonable that it accepted a business/commercial address for D.

However, I think the issue here is that the address provided by D doesn't actually exist at all. Stripe says it's checked the address electronically and it was satisfied the address could be verified. But I don't agree. I have also reviewed the address, and whilst the road itself does exist, the building number doesn't exist so I don't think it should have been accepted for either a business or residential address. So, I'm not satisfied that Stripe undertook reasonable checks here and I think it should have done more.

I understand that Stripe says it doesn't use Royal Mail to check an address exists. I can't say that's unreasonable if it uses an alternative method. However, I think it should have checked that the actual address/building number existed using its electronic system, rather than just accepting that there were other addresses at that location. Had Stripe undertaken the correct checks, I think it would have either requested further evidence from D for the address, which I don't think would have been provided as it doesn't exist, or alternative address information may have been provided. Or indeed, Stripe may have chosen not to open the account at all. But on the balance of probability, I think Stripe would have either obtained sufficient information that S could look to recover any outstanding funds from D itself, or it wouldn't have opened the user account at all.

Stripe has told us that S, as the connecting platform, was responsible for its own verification checks before allowing D to become a user, and accepting responsibility for any outstanding balances incurred by D. I understand why Stripe says this, however, I've also looked at the terms of S's agreement with Stripe and I can see why Mr B says that Stripe had a contractual obligation to undertake this on his company's behalf. I say that because as part of its onboarding terms, Stripe says, "let Stripe collect identity verification for your custom connected accounts" it also says that "Connect onboarding for custom accounts is a web form hosted by Stripe that takes care of collecting identity verification information from users" and the terms say that the platform will request the information that it requires.

Stripe's terms also say that the connect platform, in this case S, will "collect the required information from users and provide it to Stripe. This can include information about the legal entity and personal information about the representative of the business, and those who own or control the business. Stripe then attempts verification. In some cases, Stripe might be able to verify an account by confirming some or all of the keyed-in data provided. In other cases, Stripe might require additional information, including, for example, a scan of a valid government-issued ID, a proof of address document, or both." This is then followed by "If you decide to handle account verification yourself, continue reading to learn about the verification flow options". As S accepted Stripe's first option, I think it's reasonable that S thought that Stripe would be undertaking the required verification checks its behalf, and I haven't seen any evidence from Stripe that says this wasn't the case, or that it had concerns and needed S to do something further.

Furthermore, S has told us that Stripe fully controls the platform where users input the required identity documentation. S also told us that Stripe had advised that users couldn't place transactions without being verified, which is line with what was provided in Stripe's onboarding and identity verification terms online. Therefore, based on what I've seen, I think it was reasonable that S thought that Stripe would be undertaking the checks on its behalf. And I think it was reasonable for S to believe that D was legitimate business/ platform user as Stripe had verified the company, and therefore accept liability for D's transactions on the basis that it could pursue D using the documents provided in the event something went wrong. Given that Stripe's failure to verify D correctly meant S couldn't use this information to pursue D for the balance it was owed, I think it's fair that Stripe refund S the £2,0245.24 loss it incurred.

I also think it's clear that S was caused inconvenience as a result of Stripe's actions. I can see that it undertook its own investigation to try and locate D, but was unable to do due to the information held. I've also seen numerous emails between S and Stripe where the company was trying to obtain anything that would help S recover its loss and querying the checks that were undertaken. Therefore, I think Stripe should pay S £200 for the inconvenience caused from its actions.

I invited S and Stripe to give me any more evidence and information they wanted me to consider before issuing my final decision. Stripe accepted the decision and had nothing further to add. Mr B didn't accept the decision and said in summary that:

- Stripe's platform asks users to provide a residential address and verification documents for this address. He didn't agree that Stripe didn't have to validate the user's residential address and that there was any confusion about this.
- He wanted the decision amended to reflect his understanding of Stripe's requirements/process and this and for me to make a determination on this for any

future cases.

- The compensation wasn't sufficient for the inconvenience caused and the amount of hours he'd spent trying to resolve this issue.

### **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 done so, I've reached the same conclusion as I did in my original decision, for broadly the same reasons.

I recognise that Mr B has responded to the provisional decision with requests on what he would like me to determine. However, my role as an ombudsman is to resolve individual complaints by considering the individual circumstances of a case and the evidence provided to be by the complainant and respondent business. My role isn't to act as a regulator and it's not for me to tell a business how it should meet its legal and regulatory obligations. It's a commercial decision that Stripe is able to make on how it meets these obligations. I also want to confirm to Mr B that should he make any future complaints about Stripe, these will be dealt with on their own individual merits (subject to jurisdiction), and that our service won't prejudge any future complaints that may be made by any party about this issue.

Mr B says that there is no confusion over the type of address that Stripe requested from D for identification purposes, and that it's clear that Stripe are requesting a residential address- but I don't agree. Mr B has provided screen shots of Stripe's website and when adding information for identification purposes it says that the address provided should be the "individual address". However, whilst I recognise it doesn't say "business" address for this requirement, it also doesn't say "home", "personal" or "residential" address either. So I don't think it's unreasonable that Stripe could and did accept a business address here. I can see that its already explained to Mr B that its process isn't to check where an address is located. So I don't think it behaved unreasonably in accepting an address that may not have been a residential address, but as I explained in my provisional decision, I do think it behaved unreasonably in not verifying D's address correctly.

Mr B told us he doesn't think the compensation awarded is enough for the hours that he's spent trying to resolve S's complaint. However, our service doesn't award losses based on an hourly rate. We look at complaints holistically and consider the overall impact on a business. I recognise that S suffered some inconvenience as a result of having to refund D's customers, however I do also have to take into consideration that it was a business agreement to do this. So I can't fairly hold Stripe responsible for the time Mr B spent looking to recover funds from D.

We publish information on our website about our approach to awards (which can be found here: <https://www.financial-ombudsman.org.uk/businesses/resolving-complaint/understanding-compensation/compensation-for-distress-or-inconvenience>) Looking at what happened here, taking account of our guidance, evidence provided by Mr B, and applying my own judgement, I consider that £200 compensation is fair for the inconvenience caused to S.

### **My final decision**

My final decision is that I uphold this complaint. I instruct Stripe Payments UK Ltd to do the following:

- Refund S the £2,024.24 it had to pay as a result of the shortfall in D's account.
- Pay S £200 compensation for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask S to accept or reject my decision before 24 April 2025.

Jenny Lomax  
**Ombudsman**