

The complaint

Mr K, a sole trader, complains that Stripe Payments UK Limited closed his merchant services account without notice or explanation.

What happened

Mr K opened an account with Stripe in April 2024 to process card payments to his business. But in June 2024 Stripe wrote to him to say they would no longer be able to accept any further transactions. They also said they would be retaining the remaining balance of £1,062.59 for 120 days.

Unhappy with this Mr K complained to Stripe. They responded to say they were satisfied they had closed the account in line with the terms, because of the high risk of losses associated with the charges on the account.

Dissatisfied Mr K referred his complaint to our service, saying the removal of the merchant services has affected his business and caused it to stop trading. One of our investigators looked into what happened, but she didn't think Stripe needed to do anything further.

Mr K disagreed, saying that his account was closed without proper review, and that this was not a normal business closure but had deeply affect his business and personal life.

As no agreement could be reached the complaint has been 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 note Stripe have suggested that Mr K's business took place outside the UK, and feel it should fall outside of our service's territorial jurisdiction. But our territorial jurisdiction is in relation to the activities of the respondent complained about – so in this case Stripe. And there's been no indication that the services Stripe provided were from outside the UK, or that Mr K's contract was not with the UK entity. So, I'm satisfied I can consider this complaint.

And as a financial business regulated in the UK Stripe must meet numerous legal and regulatory obligations when providing accounts to their customers. These obligations can broadly be described as a duty to monitor accounts and payment activity for signs of financial distress or financial crime. This means that on occasion Stripe may need to take a carry out a review into an account, to better understand how it is being used. They may also choose to prevent any further transactions on the account while they do. There is provision for this in the terms of Mr K's account.

There's no specific obligation to explain the nature of the review, or what has prompted it. And here Stripe have not expanded on this to Mr K. Stripe however have explained their concerns to our service. The rules of our service allow us to treat certain evidence in confidence – for example if it involves information about third parties or security procedures.

In this case, I'm satisfied that it is appropriate for this information as confidential. So, I'm sorry to Mr K that I won't be detailing it in full here, but I'm persuaded that Stripe's concerns about his account were valid and it was reasonable to prevent any further transactions on the account.

Likewise, there's no obligation on Stripe to explain why an account has been closed – and in this case they've only said that they were concerned about the high risk of losses. Mr K has said that it was a rushed and automated decision. But having reviewed the evidence I'm satisfied that Stripe were within their rights to close his account in the manner they did.

Ultimately, it's up to Stripe who they provide payment services to, and on what terms. It would be rare that our service would intervene in a financial business exercising their legitimate commercial discretion in who they provide accounts to, unless there was very good reason. Stripe have explained to him they believed there was a risk to them, and I'm persuaded that this was a reasonable decision for them to make.

When the account was closed Stripe retained the remaining funds for 120 days. This forms a part of the terms Mr K agreed to when opening the account, and it's in line with common industry practice when a merchant services account is closed. This is to mitigate any risk of future chargebacks. I understand the funds have now released the funds to Mr K.

I'm sorry to hear how this has impacted Mr K, and I don't intend to minimise how upsetting and disruptive he found it. But I'm not persuaded Stripe have done anything unfair or unreasonable here. As such I'm not asking them to do anything further.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 22 May 2025.

Thom Bennett
Ombudsman