

The complaint

Mr B complains that Modulr FS Limited unfairly closed his HyperJar e-money account.

What happened

The detailed background of this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

HyperJar is not a bank but a prepaid e-money account. HyperJar does not issue or hold electronic money, or provide payment services, but distributes and redeems electronic money on behalf of Modulr. For ease of reading, I have referred to HyperJar throughout this decision.

In October 2024, Mr B opened a HyperJar account and deposited £100. Mr B has explained that he intended for his daughter, who has health issues, to use the account to pay for expenses in her care home.

As part of its account opening process, HyperJar completed security and credit reference checks. These checks were completed after Mr B's account had been opened.

As a result of these checks HyperJar decided it didn't want to offer Mr B an account. So, on 6 November 2024, HyperJar closed Mr B's account immediately. And returned Mr B's £100 deposit.

Mr B complained to HyperJar. He said he now had to go to the trouble of finding and opening another account to help his daughter, which he said was inconvenient. In response, HyperJar apologised for any trouble closing the account had caused Mr B but said it had closed the account in line with the terms and conditions.

Mr B remained unhappy and brought his complaint to our service where one of our investigators looked into it.

The investigator asked HyperJar for more information about the reason it had closed Mr B's account. HyperJar provided more information to our service, but after reviewing everything the investigator said whilst she agreed HyperJar could close Mr B's account, she didn't think HyperJar had treated Mr B fairly when it had closed his account immediately. She said it should have given Mr B more notice. To put things right she said HyperJar should pay Mr B £100 compensation.

Mr B accepted the investigator's view. He pointed out that he is a financial professional and knows how accounts should be run. So, he thinks HyperJar are an absolute sham in the way it conducts its business.

HyperJar disagreed with the investigator. It said it is entitled to set its own risk appetite and decide who it wants as customers. So, it said it hadn't done anything wrong when it had closed Mr B's account without notice. And had done so as a result of checks it had completed after the account had been opened.

HyperJar also pointed out that it is bound by legal and regulatory obligations which means it must take steps to mitigate fraud. And it wasn't able to complete all its security checks prior to Mr B opening his account, due to it not being a member of the relevant organisation at the time Mr B opened his account.

As no agreement could be reached the matter has come 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.

Banks and financial businesses in the UK, like HyperJar, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to conduct ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

HyperJar is entitled to close an account just as a customer may close an account with it. But before HyperJar closes an account, it must do so in a way, which complies with the terms and conditions of the account. The terms and conditions of the account, which HyperJar and Mr B had to comply with, say that it could close the account by giving Mr B at least two months' notice. And in certain circumstances it can close an account immediately or with less notice.

HyperJar discovered adverse information about Mr B had been loaded by another financial business in 2023. As a result of that information, it decided it didn't want to continue offering Mr B an account.

I've looked at the terms and conditions together with the information HyperJar has said it relied on to close Mr B's account without notice. Having done so, I can't see that HyperJar had any other concerns about how Mr B was using his account. For example, HyperJar haven't provided me with any evidence that it suspected Mr B was using his account for 'criminal activity'. I've also kept in mind that Mr B's only account activity was the deposit of £100. So, I think it would be difficult for HyperJar to rely on how Mr B was using his account to close it immediately.

HyperJar has stated it can close an account if it believes there is an increased risk of fraud. I don't find this unreasonable. And is in line with the legal and regulatory obligations HyperJar are required to follow when providing financial services. But I would expect HyperJar to conduct its due diligence prior to opening Mr B's account. HyperJar has argued that it couldn't do this because wasn't a member of the organisation, so it didn't have the information at the time Mr B opened his account. But I can't hold Mr B responsible for HyperJar's lack of membership.

Taken together, I'm persuaded that in these circumstances HyperJar shouldn't have closed Mr B's account in the way that it did. By giving him less than two months' notice and closing it immediately. So, though HyperJar was entitled to close Mr B' account, it should have done so by giving him two months' notice. I'm persuaded given the reasons above that this would've been a fair application of its terms and conditions.

Looking at all the information I accept that HyperJar could have closed the account if had given the correct notice. I've considered what would most likely have happened if HyperJar had given Mr B more notice about closing his account. Having looked at all the evidence, I'm

satisfied that HyperJar would still have closed the account – even if it should have given Mr B more notice. So, I won't be asking HyperJar to reopen the account.

Overall, I'm persuaded that HyperJar caused Mr B trouble and upset to the extent that he had to go to the trouble of finding another account. He'd already sent the HyperJar card to his daughter to use and this was unusable once the account was closed. So, I'm satisfied Mr B suffered some inconvenience. I think £100 compensation recommended by the investigator is fair taking all the circumstances into account.

In reaching this conclusion I've kept in mind that this wasn't Mr B's main account, and as explained by the investigator I can't compensate Mr B for any inconvenience or upset HyperJar's actions caused his daughter. That's because Mr B's daughter wasn't a customer of HyperJar.

My final decision

For the reasons I've explained, my final decision is that I uphold this complaint. To put things right Modulr FS Limited should pay Mr B £100 for the trouble and upset caused by closing his account immediately.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 27 October 2025.

Sharon Kerrison
Ombudsman