

The complaint

Miss M complains that Guavapay Limited unfairly restricted her account and withheld some of her funds after deciding to close the account.

What happened

Around September last year, Guavapay decided to restrict Miss M's account and later in October, it closed the account with one-weeks' notice. Miss M is unhappy that the firm carried out such action without explaining why. Miss M is also unhappy that Guavapay failed to return some of her funds promptly. She says these funds consisted of benefit payments, so not having access to this made it difficult for her to pay for essential living costs. Miss M says she had to rely on a neighbour because of this.

Guavapay didn't uphold Miss M's complaint. However, after Miss M asked our service for an independent review, the firm offered her £75 compensation for the delay in returning her funds. It also confirmed that the full outstanding amount that was in her account had been returned.

Miss M didn't accept the firm's offer. Our investigator upheld the complaint – although the investigator concluded that Guavapay acted fairly in restricting the account, he didn't feel the firm had done enough to return essential funds to Miss M. So our investigator asked Guavapay to pay Miss M 8% interest on the funds for the period she was deprived of them, and £150 compensation for the distress and inconvenience caused to her.

Guavapay didn't agree, so the complaint has been passed to me for a final review.

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 share the investigator's position on this complaint. I'll explain why I've decided to uphold the complaint.

Guavapay is strictly regulated and must take certain actions in order to meet its legal and regulatory obligations when providing account services to customers. Those obligations can broadly be summarised as a responsibility to know its customer, monitor accounts, verify the source and purpose of funds, as well as detect and prevent other harm.

To comply with legal and regulatory obligations, financial businesses will review customers' accounts, which can either be periodic or event driven. Having looked at all the evidence and information in this case, I'm satisfied that Guavapay's reasons for restricting and reviewing Miss M's account was in line with its obligations. We recently asked Miss M for more information about how she used her account. Having considered her response, I'm not persuaded that further enquiries by Guavapay would've made a difference to its decision to restrict Miss M's account.

Understandably, Miss M would like to know Guavapay's reasons for its review. But after considering the nature of the information the firm has provided, I've decided to accept it in confidence, which is a power afforded to me under our rules.

It's generally for financial institutions to decide whether or not they want to provide, or to continue to provide its facilities to any particular customer. Each financial institution has its own criteria and risk assessment for deciding whether to open or close accounts.

Providing an account to a customer is a commercial decision that a financial institution is entitled to take. Unless there's a good reason to do so, this service won't usually say that a firm must keep a customer. However, a firm should still make sure it hasn't exercised its discretion for plainly unfair reasons, or that it was due to a mistake, and it should still comply with its terms and conditions. Miss M's account was closed after she made her referral to this service. And I can't see that she's specifically raised the closure as a complaint point, so I won't comment on whether I think Guavapay closed her account fairly.

During the restriction, Miss M received several benefit payments into her account, totalling around £2,700. I can see she had been in regular contact with Guavapay about it returning these funds and the firm initially said that all funds had been returned by November.

However, Miss M's account was closed in October but the benefit payments weren't in fact returned in full until February this year. Guavapay has given us an explanation for the delay and, although I can see it had taken steps to return the funds, I'm not satisfied the firm did enough to support Miss M.

It was apparent at the outset that these funds were benefit payments. So I'm satisfied that Guavapay was made reasonably aware about the essential nature of these funds. And Miss M had been in contact with Guavapay about it returning these funds. I appreciate Guavapay made attempts to return the funds, but looking at the information the firm has sent us, I'm not satisfied it took reasonable steps to return the funds promptly. I can see from Guavapay's records, that several weeks had passed before it made an initial attempt to return certain payments. And for other payments, there were further weeks or months before the firm made another attempt after being unsuccessful the first time.

Knowing it was essential that Miss M had access to these funds, I think it's unreasonable that Guavapay failed to act with more urgency or find an alternative and more efficient way of resolving the matter for Miss M. Because of this, I'll also be making a compensation award in addition to an interest award because Miss M was deprived of the use of these funds.

In summary, I'm satisfied that Guavapay's initial act in restricting Miss M's account was fair and in line with the firm's legal obligations. However, Guavapay failed to return Miss M's benefit payments promptly and failed to provide a good level of service to her when she reached out to enquire about these funds. So I'm upholding this complaint.

Putting things right

Guavapay unfairly delayed the return of Miss M's benefit payments. To put things right, it should pay her 8% simple interest* from the date the payments were received by the firm to the date each payment was returned. For clarity, I'm directing Guavapay to calculate the interest on each payment as per the below:

- £549 from 12 September 2024 to 7 February 2025
- £549 from 10 October 2024 to 11 November 2024
- £809.64 from 23 September 2024 to 31 January 2025
- £809.64 from 23 October 2024 to 11 November 2024

Guavapay's failing unfairly caused Miss M distress and inconvenience as she had to rely on a third-party to help pay for essentials. So I'm instructing Guavapay to pay Miss M £150 compensation.

**If Guavapay considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Miss M how much it's taken off. It should also give her a tax deduction certificate if she asks for one, so she can reclaim the tax from HM Revenue & Customs if appropriate.*

My final decision

For the reasons set out above, I'm upholding this complaint. Guavapay Limited should settle this complaint in line with my instructions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 11 July 2025.

Abdul Ali
Ombudsman