

The complaint

Y complains about actions taken by Zempler Bank Limited in blocking its account and the way Zempler managed its review while the account was blocked.

Y is a limited company, and the complaint is being brought by Mr W, on Y's behalf.

What happened

Y had a business account with Zempler. Zempler told Mr W a payment into the account would be held while Zempler ran checks on it. It asked Mr W to provide proof of the incoming payment. Zempler did unblock the account to add the payment, then blocked it again, but wasn't satisfied with the initial information provided by Mr W and made further requests for proof of payment and proof of identity before unblocking the account.

While the account was blocked 10 incoming payments were attempted by Y's clients, but they were rejected and returned. Mr W has said this caused significant detriment, loss of income, reputational harm and stress.

Mr W made a complaint to Zempler and in its response it said it reserves the right to review any incoming payment in line with its terms and conditions, it explained that the initial proof of entitlement couldn't be verified so was rejected and an SMS was sent asking Mr W to contact Zempler. Zempler asked for further proof of payment, as well as further questions relating to the payment. After further escalation Zempler asked for proof of identity and proof of address and once this was received, the account was unblocked.

Zempler didn't uphold the complaint regarding the blocks and the requests for information, but it did uphold the aspect in relation to the administrative error which resulted in the payment in question being added to the account before its review was complete. It paid £25 compensation into Y's account for this error.

Unhappy with Zempler's response Mr W brought the complaint to our service. Our investigator looked at the complaint, and didn't uphold it. They considered that Zempler's review was conducted in line with its legal and regulatory obligations. They considered there to have been no detriment to Y for the administrative error of adding the payment to the account early. Our investigator didn't recommend Zempler do anything further.

Mr W disagreed, he explained his complaint had been misrepresented and felt an accurate reflection of his complaint was not about the blocks themselves, but the serious error made when unblocking the account and adding the payment, then blocking the account again. He said that represents a failure in Zempler's internal controls and left his business in limbo. He also set out the timeline of his complaint, and the multiple requests and responses for information.

He highlights that the claim his account remained frozen due to inadequate proof of payment isn't supported by the facts as the account was unblocked without providing any further proof of payment. He also said the investigator had dismissed the business detriment caused by the rejected payments attempted, while the account was blocked.

Because no agreement has been reached it's 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'm aware I've summarised events of this complaint and in less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything that Mr W and Zempler have said before reaching my decision.

Banks are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. These obligations generally cover the entire period of its customer relationship – from application to the eventual end of the relationship. This includes KYC checks and/or customer due diligence. These checks include not just the verification of a customer's identity but also establishing the purpose and intended nature of the business relationship and origin of funds. That sometimes mean banks need to restrict, or in some cases go as far as closing, customers' accounts.

I'm satisfied that Zempler's review was carried out in line with these obligations, and in line with the terms of the conditions of the account which allow the review to take place.

I've reviewed the proof of entitlement evidence provided to Zempler, and its reasons for rejecting it and asking for further evidence and more questions. Zempler were not satisfied that the proof of payment provided to it, was what was used when Y was engaging with the payee at the time the agreement was entered into. Having reviewed the evidence, I'm satisfied Zempler had reasonable cause for this concern, and it was reasonable to ask further questions of Mr W regarding the payment. I'm satisfied that Zempler's follow up requests for further evidence and information was reasonable in the circumstances, and the time taken to complete the review, was fair.

Whilst Mr W had responded to Zempler's follow up questions and requests for evidence, he was unable to provide any further evidence. Following Zempler's questioning and requests for further evidence, it's concern regarding the payment couldn't be resolved. Based on the evidence I've seen, I'm satisfied this was a reasonable concern to have. Zempler has set out that in certain circumstances where proof of payment can't be satisfied it may request different proof, in this instance proof of address and identification. I'm satisfied Zempler has followed its processes to unblock the account following the rejection of the proof of payment evidence. Whilst I appreciate Mr W's comments regarding the account being unblocked despite not providing further proof of the funds, I'm satisfied Zempler has not made a mistake here.

Whilst the review was ongoing Zempler rejected incoming payments into the account. Given Zempler's concern, and the nature of review, I find it reasonable that Zempler placed blocks on the account whilst its review was ongoing. Whilst I'm sorry to hear of the business impact this may have caused to Y, I don't find the impact was caused by any mistake made by Zempler. Because of this I would not look to award compensation for the impact of the

blocks on Y.

Whilst I can understand Mr W's concern with an administrative error occurring while the account review was ongoing. I don't find it to have caused any impact on Y. Had the mistake not happened, the account ought to have remained blocked and the payment held or returned to the sender. I don't find Zempler incorrectly crediting the payment to Y's account to have caused any detriment.

When considering compensation, we must consider the impact of any mistake that has been made. We would not award compensation just for a mistake. As I don't consider this mistake to have made a material impact, I won't be asking Zempler to do anything more to rectify the mistake.

My final decision

For the reasons I've explained above, I have decided not to uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Y to accept or reject my decision before 10 April 2026.

Simon Yates
Ombudsman