

The complaint

Mr H, a sole trader, complains that Squareup Europe Ltd closed his merchant account and withheld the funds it contained, upon receipt of a large credit. Mr H complains the funds were released later than they should have been, and not without further effort on his part.

What happened

The details of this complaint are well known to both parties, so I won't repeat them again here. The key facts are not in dispute so I will focus mainly on giving the reasons for my decision.

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 agree with the outcome reached by the Investigator for these reasons:

- Provided it does so fairly, Squareup is allowed to take steps to protect itself and its customers from harm. It must also adhere to a range of legal and regulatory obligations which require it to sometimes review its customers' accounts and payments. The type of review at the centre of this case generally takes place once a payment has been made, and allows Squareup to suspend service while it investigates further. Squareup's terms, which our Investigator has already set out, and which Mr H agreed to when taking out the product, entitled it to suspend his account and ask the questions it did in order to satisfy itself it had met its obligations.
- Given the credit in question was particularly out of character for the account, I don't think Squareup acted unfairly by seeking further information about it. I say this as Mr H's account had previously been used to receive relatively small sums of money, but had then become inactive. Upon receipt of Mr H's answers, Squareup wasn't satisfied it could continue to offer a service to Mr H and closed his account – again, in line with its terms and conditions.
- Mr H is particularly unhappy that Squareup withheld the funds for a period of around 90 days. I'm satisfied with Squareup's communication to Mr H around this measure. I am also satisfied with Squareup's explanation that its actions here are supported by its terms. Squareup has said it withheld funds to guard itself against the risk of loss, should a chargeback or refund be requested post-account closure. And while I appreciate Mr H's comments around a chargeback being unlikely, I'm persuaded more by Squareup's greater experience in this regard which underpinned its rationale that a chargeback was a possibility. That aside, it remains that neither party could have known a chargeback wouldn't have been attempted. As a result, I don't consider Squareup's actions in this regard to have been unreasonable.
- Turning to the release of funds, I agree with the Investigator that Mr H's contact with Squareup was more likely than not the reason the credit balance was released to

him. I say this as Squareup didn't initiate the transfer on the day it should have until after Mr H's contact with it. Our Investigator upheld this point and recommended Squareup pay Mr H £50 to compensate him for the inconvenience – which Squareup accepted.

While I'm sorry to hear about the difficulties Mr H faced as a result of the funds being withheld, I'm not persuaded Squareup got things wrong in withholding them. Having reviewed the submissions provided by both parties, I think £50 is a fair way to settle this complaint.

My final decision

My final decision is I uphold this complaint in part. If it hasn't already done so, I direct Squareup Europe Ltd to pay Mr H £50 compensation for the inconvenience it caused. It should arrange payment within 28 days of Mr H's acceptance of this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr H to accept or reject my decision before 27 February 2026.

James Akehurst
Ombudsman