

## The complaint

X complains that Paragon Bank Plc (“Paragon”) unfairly applied a block to his account and failed to notify him about this in a timely manner. X is also unhappy at Paragon’s requirements for identity documents to be original or certified and thinks the communication around this was unclear.

## What happened

X opened a cash ISA with Paragon on 31 March paying £16,000 into it on 6 April.

X had changed his address within a few days of opening his account and following an audit Paragon determined that the account was now non-compliant for identity purposes and added a temporary block to the account on 3 April 2023. Paragon says the block was transactional only and wouldn’t have prevented money being received into the account.

Paragon sent X a letter about this on 9 April advising that identification documents (“ID”) were required as per its security procedures to lift the block on the account and enclosed a copy of its ID list outlining acceptable forms of ID. The letter explains X can send either *original* or *certified* copies of documents by *post* or *email*.

X says he didn’t receive this letter until 15 April.

X says he only became aware of the block on the ISA account on 14 April following a response by Paragon to an email he’d written regarding making changes to the interest rate on his ISA. Paragon explained in its response that no change to the ISA could be made as a temporary block had been applied to the account until ID was received. Paragon’s email stated that an original or certified copy of the documents listed would be considered acceptable.

X provided by email a photo of his drivers’ license containing his photo and address on the same day. Paragon rejected this as it wasn’t certified. X downloaded an online credit card statement and emailed a copy of this on 16 April, but this was rejected as again it wasn’t certified.

X sent a certified copy of his driving license and passport on 18 April and the block was removed but X closed the account soon after.

X complained to Paragon that it failed to provide notification that his account was frozen in a timely manner and that he only became aware of the block when making a separate enquiry. X says if his account was frozen Paragon should’ve also blocked his deposit rather than accept it then deny access to it. Furthermore, X says Paragon failed to provide clear guidance on acceptable ID and believes it’s unreasonable to require a professional to certify ID. X asked that Paragon provide evidence that racial bias or profiling didn’t affect its decision to freeze the account and to justify its reasons for applying a block due to his address changing within 30 days.

Paragon didn't uphold X's complaint. It says the time scale for issuing general enquiry letters is five business days and that X's letter was issued within this time frame and that it's not its process to notify customers about blocks by email or secure message, but rather by letter for GDPR reasons.

Paragon explained that when customers details are changed within 30 days of account opening it can invalidate the online verification checks it performs which results in it requiring ID and residency documents being sent to it.

X was dissatisfied with this and brought his complaint to this service.

One of our investigators looked into X's concerns but didn't think Paragon had acted outside of its procedure and policies or treated X unfairly. And although they thought that the correspondence could've been clearer regarding what ID documents would be accepted by Paragon, they didn't think Paragon's communication regarding its ID requirements was unreasonable.

X disagreed and has asked for an ombudsman's 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.

I hope that X won't take it as a discourtesy that I've condensed his complaint in the way that I have. Ours is an informal dispute resolution service, and I've concentrated on what I consider to be the crux of the complaint. Our rules allow me to do that. And the crux of X's complaint is regarding the processes Paragon has in place for verifying its customers ID and the communication surrounding this.

It might be helpful for me to say here that, as we are not the regulator, I cannot make the bank change its systems or processes – such as how accounts are opened or what ID needs to be supplied or how. We offer an informal dispute resolution service and we have no regulatory or disciplinary role.

Rather my role is to look at the problems X has experienced and see if Paragon has done anything wrong or treated him unfairly. If it has, I would seek – if possible - to put X back in the position he would've been in if the mistakes hadn't happened. And I may award compensation that I think is fair and reasonable.

X believes Paragon acted outside its terms and conditions when it requested ID documentation following the opening of his ISA and that it has failed to adequately explain the basis for applying a block to his account.

Section 4.9 of Paragons terms and conditions state that if a customer changes any details - such as their name or address - they must tell it as soon as possible and it may ask for documentary evidence. And Section 1.9 allows Paragon to carry out checks while a customer has an account with them.

So as X made a change to his address, I can't say that Paragon has acted outside its terms and conditions or done anything wrong when requesting ID documents following this. Nor have I seen any evidence of racial profiling being a factor in Paragons decision to apply a temporary block to his account. As I understand it the problems X had occurred after Paragon opened his account and if it wasn't for the fact he had moved address within days of opening the account, Paragon would've been able to verify his identity online.

And although I wouldn't tell a bank how it should run its business or what security systems it should have in place, I don't think Paragon treated X unfairly or were unreasonable when it wanted to confirm his identity when his address changed within days of him opening his account. I'd expect Paragon to have systems in place to protect its customers against potential fraudulent activity and part of this is ensuring it is satisfied of its customers identity.

X says that Paragon failed to notify him in a timely manner about the block being applied to his account. The block was applied to X's account on 3 April and Paragon wrote to X about this on 9 April within its timescale of five business days. I don't think five days is an unreasonable period of time for Paragon to write to X about the block applied to his account – especially considering it was an ISA that usually isn't transacted on a day to day basis.

I note that X says he didn't receive the letter until 15 April, much later than I think would usually be the case – and this is unfortunate. But I think it's likely this was due to it being sent over a holiday period which was out of Paragon's control and not an error on its behalf. X thinks a more reasonable timescale would be him 'receiving' the notification within 5 days of the block being applied. But I don't think it would be fair or reasonable to hold Paragon accountable for operations and services out of its control such as the postal service.

X doesn't understand why Paragon didn't email him about the block given the importance and urgency of the situation. Paragon say it wrote to X as it was considered a more secure, as it didn't know if there was a possibility that X's details had been compromised.

I appreciate how frustrated X is about all of this but again for the reasons Paragon has given I don't think it was unreasonable for it to write to X rather than use email. Ultimately, it is up to Paragon to decide what form of communication it uses to convey information to its customers, so I can't say Paragon made a mistake or treated X unfairly here.

Finally, X says the communication surrounding the ID that would be acceptable to Paragon were unclear. But both the letter of 9 April and email of 16 April does say that you can send the original or certified copies, by post or email. I accept the email was somewhat clearer when it says "originals via post or certified copies via email", but I don't think it was unreasonable for Paragon to expect a customer to understand from its letter that an original document needed to be sent by post – possibly because it needs to be in its original form. Neither of the documents submitted by X by email were certified and on this basis were rejected by Paragon.

X may not understand Paragons reasoning for why it won't accept an online statement downloaded unless it is sent through the post rather than the same document certified and sent by email - and nor do I. But it is not up to me to determine what Paragon should accept as proof of ID in order to meet its regulatory obligations. And as I haven't seen anything to suggest the same policy isn't applied to all its customers, I can't say Paragon has done anything wrong.

So on this basis I can't say that Paragon has done anything wrong or treated X unfairly and so it follows I do not uphold his complaint.

### **My final decision**

For the reasons I've explained I've decided not to uphold X's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask X to accept or reject my decision before 6 February 2024.

Caroline Davies

**Ombudsman**