

The complaint

Mr F complains Epayments Systems Ltd (“Epayments”) blocked his account and withheld the money in it causing him to suffer financial loss, distress, and inconvenience.

What happened

On 11 February 2020 the regulator, The Financial Conduct Authority (FCA) placed limitations on Epayments. As a result Epayments were not able to process any transactions until the limitations were lifted. So, because of this Mr F couldn't access his funds. Mr F complained to Epayments.

Epayments upheld his complaint, explained what was going on, and said it was safeguarding his money until anything further develops. Mr F referred his complaint to this service.

The original restrictions were later lifted on 23 February 2022 and Epayments began the process of reviewing its customers' accounts and refunding them. Epayments explained it was now taking steps to enable Mr F to access his funds. But this would be subject to Mr F passing the checks, and he will be emailed about the next steps in due course.

Mr F was able to access his funds in February 2022. Mr F said he should however be compensated for the being without the money as he lost out of on opportunities and buying a home. Mr F also says he and his family were on holiday overseas at the time and had to find the money to get home at the onset of the pandemic. Mr F says this was a very anxious time and his flights home had more than doubled.

One of our Investigator's then looked into Mr F's complaint. In summary they found:

- The reason Epayments accounts were restricted was due to weaknesses in Epayments' financial crime controls, which were identified by the FCA. So Epayments is responsible for the impact to Mr F for not having access to his funds
- Epayments should pay Mr F 8% simple interest per annum on the funds from when they were blocked until settlement. This is in line with industry standards for compensation and covers multiple uses of the money
- Pay Mr F £150 for the distress and inconvenience the blocks had on him
- If any currency conversion fees, or other fees/commissions were charged by Epayments or their banking partner during the refund process, these should also be refunded

Mr F agreed with what our Investigator said. But Epayments made an offer of £500 to Mr F to resolve his complaint. Mr F did not agree. Epayments then offered to pay Mr F 1% of his balance as compensation. Mr F did not agree to this either.

Mr F said Epayments should pay him more compensation for the distress and inconvenience it caused him and his family, given they were caught overseas without access to their account.

Mr F says the Epayments account is where he kept most of his money, and without access to it he had to ask friends and family and borrow money to get back home. He says his ability to get back home quickly was affected by not having access to his funds, so it took a few weeks longer to sort out and cost him considerably more.

Epayments did not agree with what our Investigator said. Some of the key points it made were:

- Mr F couldn't access his funds because of the FCA's limitation on withdrawals from Epayments account balances
- The terms of the account Mr F signed up to allow Epayments to suspend (or terminate) the operation of accounts where it believes it is required do so because of law or regulation. These provisions also allow the re-opening of the account to be in the sole discretion of Epayments. Because of this, Mr F has no entitlement for payment related to delays
- As EMI's (Electronic Money Institution) do not pay interest on its accounts, Mr F would have had no reasonable expectation or right to any. Mr F should provide evidence of what he would have done with the money to show awarding interest in this way is fair
- By awarding 8% simple interest, Epayments ability to solvently wind-down will be adversely impacted

As Epayments didn't agree with what our Investigator said, this complaint was passed to me to decide. I then sent both parties my provisional decision and gave them a further opportunity to provide me with any further submissions.

Here is what I said I was planning to decide:

"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'm planning on upholding this complaint. I'll explain why.

As a regulated business, Epayments has certain obligations which it must comply with. Epayments is subject to regulation by the FCA. The FCA applied restrictions on Epayments for reasons widely publicised and also detailed on its company website. As a result, Epayments suspended its operations. This significantly impacted Mr F, given he had no access to his funds from February 2020 up until they were released in February 2022.

Whilst the FCA requested Epayments to suspend its activities there was nothing it could have done in relation to returning Mr F's funds during this period. Epayments say it shouldn't be held fully liable for any detriment to Mr F whilst the FCA's limitations were imposed.

After carefully considering this, I'm not persuaded it's fair or reasonable in the circumstances of this complaint to find Epayments didn't do anything wrong. I say that because Epayments had to suspend its operations due to failures on its part. So I think Epayments should put things right by addressing the fact Mr F had been deprived of his funds through no fault of his own.

I note Epayments don't agree with 8% simple interest being added because there isn't any way of knowing how Mr F would have used his funds should he have had access to them. I also note Epayments wants to see evidence of how he would have utilised these funds.

Mr F has said that he has lost out on opportunities to make financial gain and buy a new house. But even if that wasn't the case here, awarding 8% simple interest when a consumer has wrongly been deprived of their funds is in line with the approach at this service. Nor have I seen compelling enough reasons as to why Mr F shouldn't be awarded compensation in this way, so I'm satisfied this is fair redress.

Our Investigator recommended Epayments pay Mr F £150 for the distress and inconvenience Epayments caused him to suffer. I carefully considered what Mr F had said about the impact this matter had on him. And I asked him to provide evidence of his trip abroad and financial losses.

Mr F has sent me information which includes paperwork related to his hotel stay, flight schedules and statements from another bank account from the country he lives in. Having looked at this I'm satisfied he had travelled abroad just before Epayments blocked his account.

I'm also satisfied the block coincided with the beginning of the pandemic. As a result, I'm persuaded this would have caused significant disruption, uncertainty and panic to Mr F and his family.

When weighing up what I think is fair redress for any distress and inconvenience caused, I must consider the impact of a business doing something wrong had on the complainant.

Mr F would have been overseas and suffered any increment to his travel costs regardless of Epayments blocking his account. So I don't think it's Epayments fault he suffered any financial loss here.

Mr F argues that without access to his account, his ability to buy flight tickets was severely hampered - and so this process was unduly protracted and meant costs got higher and higher. But I think it would be very difficult, if not impossible, to determine what this cost would be. More importantly I'm persuaded this is too far removed in terms of foreseeable causation to award Mr F financial loss compensation.

Mr F has also said he lost out on buying a home. Equally I think this is also too far removed in terms of foreseeable cause to award Mr F financial loss compensation.

But I do think having his account blocked in this way exacerbated the distress and inconvenience Mr F was already suffering from. In other words, the account block made Mr F's situation worse - causing additional trouble and upset. Having given this some thought, I'm satisfied £300 is fair compensation for the impact Epayments actions had.

If Epayments, or its partners, have charged Mr F any conversion or commission fees when releasing the funds, these should be refunded as I don't think it's fair or reasonable for them to be applied.

Lastly, I'm aware Epayments is going through a winding down process. To be clear, it's not my intention to interfere with Epayments winding down of its business – that's not the role of our service. My role here is ultimately to decide a fair way to resolve individual complaints between businesses and their customers, based on the individual facts of the complaint.

Putting things right

To put things right, Epayments must:

- Pay 8% simple interest on the funds it released to Mr F from when it first restricted*

*his access up until settlement**

- *Not apply any fees or charges for releasing funds to Mr F – as detailed above. If it or its banking partner has applied such charges, they should be refunded*
- *Pay Mr F £300 compensation for the distress and inconvenience it has caused”*

The deadline for responses from both parties has now passed. Epayments has not responded, and Mr F has thanked this service for its work.

I will now decide this complaint.

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’ve decided for the reasons above and in my provisional decision to uphold this complaint. As neither party has raised any new arguments, I do not need to make any further findings.

Putting things right

To put things right, Epayments must:

- Pay 8% simple interest on the funds it released to Mr F from when it first restricted his access up until settlement*
- Not apply any fees or charges for releasing funds to Mr F – as detailed above. If it or its banking partner has applied such charges, they should be refunded
- Pay Mr F £300 compensation for the distress and inconvenience it has caused

*If Epayments considers that it’s required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr F how much it’s taken off. It should also give Mr F a tax deduction certificate if he asks for one, so they can reclaim the tax from HM Revenue & Customs if appropriate.

My final decision

For the reasons above, I’ve decided to uphold this complaint. Epayments Systems Ltd must now put things right as directed above.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr F to accept or reject my decision before 22 November 2023.

Ketan Nagla
Ombudsman