

The complaint

Mr A has complained that London Capital Group Ltd ('LCG') prevented him from withdrawing funds from his account. He says this caused him to lose over 80% of his funds. He would like the money returned to him and LCG's customer service to be improved.

What happened

Mr A held three trading accounts with LCG and had done so for several years. Mr A tried to withdraw funds, but LCG had to confirm verification of Mr A's card (ending 3072) despite him using it previously. This was because the name on the card differed to Mr A's account application name with LCG.

Mr A complained on 9 March 2022 regarding a withdrawal of £100 as he was unhappy LCG had requested further identification evidence as he felt it had all of the information already. LCG replied to the complaint on the following day. It said;

- It understood that Mr A wasn't happy with the withdrawal process and sharing his identity document.
- Mr A's name at on-boarding stage didn't match the name on the bank card.
- Confirming identity verification was a normal process at LCG to ensure no third-party funds were being traded. It was standard market practice for a regulated business to combat financial crime.
- It noted that Mr A had previously made a complaint in 2021 about the requirement to supply a copy of his card. It concluded that it couldn't uphold the complaint and was going to close Mr A's trading account in line with its terms and conditions and all remaining funds would be returned to him.

Dissatisfied with the outcome, Mr A brought his complaint to the Financial Ombudsman Service. Our investigator who considered the complaint didn't think it should be upheld. She said;

- LCG's terms and conditions made clear that if there was any discrepancy between the card and account information LCG held, it could ask for relevant evidence before issuing the funds requested.
- LCG admitted it had previously processed withdrawals, but this had been an oversight and training had been given.
- The call recording showed both parties were frustrated but she couldn't see that LCG's representative had been rude.
- Mr A said he had lost money because of the withdrawal delays but this was his own choice as he had the option to close any open position and provide the identification needed for the withdrawals, but he hadn't done so.

Mr A didn't agree with the investigator. He said;

- Mr A had already provided proof of identification to LCG, and this had been accepted

in its emailed response to him in December 2021, well before the subsequent request in March 2022. He asked why, if the proof identification requirement had been met in December 2021, it was again raised in March 2022.

- He didn't understand why the investigator had referred to payments being made because of an oversight if the earlier identification requirement had been provided and accepted earlier.
- Mr A wanted proof of the funds on his account that still had to be returned to him. He asked how those funds being returned to him was covered in LCG's guidance.

Our investigator responded to the points Mr A had made;

- In November 2021 LCG requested more information from Mr A as he had requested a withdrawal against card ending 2094. The further identification requirements in March 2022 were against a different card ending 3072.
- She didn't agree LCG agreed that the verification process was complete in March 2022 when the withdrawals were processed from Mr A's account – this was the oversight she had referred to.
- As the verification hadn't been completed LCG wasn't able to release the closing balance – it needed a copy of Mr A's passport which would need to match the name on the debit card.

Mr A said the requirement for a passport hadn't been requested by LCG which showed it made the rules up as it went along. He provided a copy of the previous identification requests that had been made of him.

He had provided the details for both of his cards, and these were accepted by LCG on 9 December 2021 and was advised he could start making withdrawals. He wasn't clear how the investigator concluded that the verification hadn't been completed by March 2022. LCG's processes weren't transparent, and barriers prevented withdrawals.

LCG didn't have any further to add. As Mr A remained unhappy with the outcome, he requested that his complaint be considered by an ombudsman, so it has been passed to me for 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.

After doing so, I've reached the same conclusion as the investigator and broadly for the same reasons. I'll explain why.

The crux of Mr A's complaint is that in March 2022 he wasn't able to complete a withdrawal from his account despite previously making two withdrawals already that month and in spite of the fact that the identification checks having been completed the year before.

Mr A told us that he had been trading with LCG for over five years and his name and card details had been unchanged with the exception of adding new ones when existing ones expired. At the end of 2021 he was unable to make withdrawals but eventually LCG accepted the evidence of Mr A's card in December 2021. However, subsequent withdrawals didn't complete.

As a background to this complaint, I note from the file that Mr A had raised a previous complaint about the same issue in 2021 but for card number ending 2094.

In its response of 22 December 2021 LCG explained that card verification was a normal process at LCG to ensure it can verify that a customer is trading with their own funds and not a third party's. It said it was standard market practice for a regulated business to evidence it applied systems and controls to combat financial crime. It asked its customer to provide an image of their card minus the last four digits. It didn't ask for the entire card number or the security code.

Regarding the data security of the information Mr A had provided LCG referred to its privacy notice and disclosure of personal data. It said it hadn't offered Mr A the option of closing his trading account prior to the implementation of the change for providing card details as it could be considered as a way of circumventing anti-money laundering controls.

I have included this as it suggests to me that while LCG's anti money laundering processes had been explained to Mr A, he was considerably frustrated by the subsequent requirements it asked for in March 2022. And it is his complaint about that I am considering in this decision.

Identification in December 2021

Mr A has said that identification for his card was completed in December 2021. I can see from the records of messages that at the end of 2021 Mr A had to provide details of both of his bank cards. On 9 December 2021 he responded to some queries from LCG providing a copy of his bank card (3072) with the account details and sort code. He asked LCG to confirm if all was in order and LCG responded to say 'Thank you for sending a copy of the card showing the bank details. You can now request a wire out via ...to the bank account that is linked to the card.'

While the identification was accepted at the time, I note that the payment wasn't made because of issues with LCG's IT/payment systems and on 11 January 2022 LCG confirmed that 'I am afraid the debit card is not fixed yet. That's why you received the not available message, please can you request a bank transfer instead, the minimum for a withdrawal is £50.'

March 2021 withdrawal

Mr A wanted to withdraw £100 from trading account ending 3656. He had been able to successfully withdraw £100 and £60.41 at the beginning of March 2022 but on 9 March was advised that in order to proceed with his current transaction LCG 'would need a clear copy of your proof of identity document, this can be a copy of your passport or your full (front and back) national ID.'

It was confirmed to Mr A that the reason LCG required his identity, and that his withdrawal was pending, was because there was a mismatch between his name on LCG's account application and the name on the debit card. The debit card showed Mr A's full name rather than the shorter version of his name that was shown on the account application.

So clearly this was a different issue than just confirming Mr A's details for money laundering purposes. It had now transpired there was another reason that further identification was required, and which it seems likely, wasn't spotted during the identification process that took place back in December 2021.

LCG has confirmed that it did process the two earlier payments in March 2022 but concedes that it shouldn't have done as all of the identification information didn't match. It confirmed that it had given feedback and training about this, but the upshot was that just because

previous payments had been made, it didn't mean that future payments would be made unless further identification checks had been completed.

LCG has acknowledged its error in processing the two payments that it shouldn't have done. And I agree with the points that those errors shouldn't set a precedent for further payments being made. Clearly the earlier oversight of Mr A's name on the bank card compared to the account opening document not matching needed to be put right before any further payments were made, if LCG considered that to be the appropriate course of action, bearing in mind its anti-financial crime obligations as a regulated business. I wouldn't expect for it to act differently.

LCG's terms and conditions support its position and Mr A accepted those terms when he opened his account with LCG.

Clause 1.13 says;

'...notwithstanding any other provision of the Agreement, in providing our services, we will be entitled to take any action as we consider necessary to ensure compliance with Applicable Law.'

And with regard to money laundering and financial crime, clause 29.8 says;

'You consent to us, and our Associated Companies, to carry out any credit and identity checks, including but not limited to the money laundering checks, compliance regulatory reporting and fraud prevention checks, as we may reasonably consider necessary or desirable, including requesting a reference from your bank or any credit reference agency. You understand and agree that any third party referred to in this clause may share any information concerning you with us and other organizations involved in such checks.'

Taking all of the above into account, I don't think that LCG has done anything wrong. Once it recognised there was a mismatch between Mr A's account opening application information and his name as recorded on the bank card, I'm satisfied it acted appropriately by asking for more definitive identification evidence such as Mr A's passport. LCG has explained why the earlier March payments were made – because of an error – but it didn't follow the future payments would be made until that issue was resolved.

Mr A says he has lost out financially. He said that LCG encouraged more risk taking to increase/maximise his losses because he couldn't take the money out. He had around £4,000 profit in his account at the end of February 2022 and attempted to withdraw funds to minimise losses but could not and ended up losing most of the money because he was unable to process withdrawals. While Mr A might not have been able to withdraw funds from his account, I haven't seen anything to suggest that he couldn't trade on his account if he wanted to or close open positions and remain in cash. I haven't been given any evidence to show that Mr A wanted to trade and couldn't or wasn't able to hold cash on his account. And as I haven't been given anything to suggest otherwise, I can't agree that Mr A has lost out financially because of LCG's actions.

Mr A said that LCG migrated its card processing software but that his card information hadn't migrated. LCG told us that it did change payment service providers on 21 December 2021 and where clients experienced any delays during the transition it sought to resolve matters as quickly as it could. That being said, Mr A's current complaint stems from his inability to withdraw funds in March 2022 and I'm satisfied that the reasons for that don't have anything to do with a change in LCG's payment service provider. As concluded above, it related to account opening/bank card mismatch of Mr A's name.

Mr A has said that LCG's operations are worth examining. His identification requirements had been met in December 2021 but that when he had built up funds in his trading account and wanted to withdraw, the rules changed, and he couldn't proceed. He had to make a deposit first, which is what he did. And when LCG confirmed it would be closing his account and all remaining funds would be returned to him this didn't happen. This pointed to processes that weren't transparent.

I fully appreciate Mr A's strength of feeling about the above points. He considers that he met the identification requirements in December 2021 – he was advised he could make withdrawals after that and indeed made two successful withdrawals in March 2022. But as clarified above, those payment were made in error – his account details and bank card details didn't tally, and they shouldn't have gone ahead. And I'm satisfied with what LCG has told us about this.

Mr A might not have specifically been told that passport identification (or similar) would be needed for his account funds to be returned to him, now that it has closed, but that information had previously been required when the mismatch between the account opening and bank card name was identified. And it stands to reason that that higher level of identification checks – the need for a passport or similar - would still be needed post the mismatch being discovered to prevent circumvention of money laundering controls. To comply with its regulatory obligations, LCG has to ensure that it doesn't make payments to third party accounts.

Overall, I don't think that LCG needs to do anything more. I don't find that it has done anything wrong.

Clearly Mr A has been and remains extremely frustrated in his attempts to withdraw funds from his account, but LCG has regulatory obligations to adhere to and needs to be able to evidence its compliance. This has undoubtedly impacted on Mr A and his experience hasn't been a good one. But for the reasons given, I don't uphold Mr A's complaint.

If Mr A wishes to withdraw his funds from his closed account, he should contact LCG to provide the identification it says it needs.

My final decision

For the reasons given, I don't uphold Mr A's complaint about London Capital Group Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 29 March 2024.

Catherine Langley
Ombudsman