

## **The complaint**

Mr T complains that Paragon Bank Plc did not return his deposited funds when he asked them to, and they froze his account.

## **What happened**

Mr T says he opened an online savings account with Paragon, and he transferred £1,000 into the account. Mr T says Paragon froze his account and asked him for either original documents by post, or for him to get certified copies of documents, including address identification, but due to Mr T's living arrangements at the time he was unable to provide the address verification. He says nothing in their application process said he had to send documents to Paragon.

Mr T says he asked Paragon to return the opening balance to the account it was sent from and to close the account, but they refused to do this. He says they froze the account and refused to let him withdraw the money in the account. Mr T made a complaint to Paragon.

Paragon did not uphold Mr T's complaint. They said after Mr T had just opened the new account and added £1,000, the address was changed on his profile. They said due to the quick change of address on his account, their compliance team applied a transaction freeze to Mr T's account until they were able to verify his residency. Paragon said that under section 14 of the General Terms and Conditions, they can refuse transactions or suspend the account if he hasn't provided them enough information for them to confirm his identity. Mr T brought his complaint to our service.

Our investigator did not uphold Mr T's complaint. He set out a timeline of events, and he said the money wasn't returned as requested by Mr T due to the freeze which was in accordance with the terms and conditions of the account. He said following Mr T's explanation of his housing situation on 14 January 2024 and subsequent head office approval, the restriction was removed and the funds in the account returned to Mr T.

Mr T asked for an ombudsman to review his complaint. He made a number of points. In summary, he said if Paragon weren't happy they should have returned the money immediately, but they instead refused to return his money without proof of residency, which turned out to be incorrect, as they did return the funds to him without this after he made a complaint. He said he should be paid compensation for the distress, anxiety and time it took for him to get his money back. He said he intended to pay a total of £85,000 into the account so he should be paid interest on this amount.

## **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.

Firstly, I'm aware that I've only summarised Mr T's complaint points. And I'm not going to respond to every single point made by him. No discourtesy is intended by this. It simply reflects the informal nature of our service as a free alternative to the courts. If there's

something I haven't mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point to be able to reach what I think is a fair outcome.

I'd like to explain to Mr T that it is not within this service's remit to tell a business how they should run their identification and security procedures, such as when to freeze/unfreeze an account, when they should and shouldn't ask for identification, or when they should return funds. It would be the role of the regulator – the Financial Conduct Authority, who have the power to instruct Paragon to make changes to their policies and procedures, if necessary.

Banks and building societies have an obligation to try and keep their customers' accounts safe. In doing so, sometimes they may freeze or restrict funds/account access. This can cause distress and inconvenience to a customer – but it doesn't necessarily mean they have acted incorrectly.

I've looked at the terms and conditions which were in place at the time of the freeze to see if these reference Paragon being able to freeze or suspend his account and refuse to carry out transactions for Mr T. Section 14 of the terms set out when they can refuse to act on Mr T's instructions or suspend his account. Here, Paragon had concerns about how quickly the address had been changed after the account had been opened, so they wanted documents proving Mr T's identity to be satisfied they were meeting their obligations as they believed there was a dispute over the address on the account.

Although Mr T at times told Paragon the terms don't say he has to send documents to them, I wouldn't expect the terms to cover every possible scenario. As they had concerns about the address on the account, and to ensure the safety of the account, they asked him for further documentation which I'm persuaded was reasonable here to remove the suspension of the account, which the terms set out under section 14.

So Paragon acted in line with the terms, when they suspended (froze) the account. They asked Mr T for identification documents from their List A and List B to validate his identity and residency in order to remove the freeze. Although Mr T told them he thought the best thing to do was to send the money back, his account was suspended pending this documentation, so Paragon did not send the money back on this basis.

I listened to a call Mr T had with Paragon on 2 January 2024 where he told the call handler he wouldn't be paying for certified copies. I do note that Paragon's requirements give around 20 types of individuals that could certify documents, and it may be that some would do this without charge, but it was agreed on the call Mr T would send his documents by email to them.

But the issue was with the address on the document, therefore Paragon did not remove the suspension (freeze) on the account. This led to several back and forth emails between Mr T and Paragon where Mr T consistently told Paragon he wouldn't send documents through the post, and he wanted his £1,000 back, but Paragon responded and they reiterated their procedures.

After reviewing the available email trail between Mr T and Paragon, it is on 12 January 2024 that Mr T first emails them about his housing situation. This wasn't mentioned on calls I've listened to prior to 12 January 2024 either. But I listened to a phone call from 14 January 2024 when Mr T speaks with Paragon and goes into further detail about his housing situation.

It's clear that after listening to this call that Mr T is unable to provide the address documentation due to his individual living arrangements at the time. It's on this basis that Paragon's head office unfroze the account and returned the funds to Mr T within a couple of

days.

While I can empathise with Mr T's frustration with him only being able to access his funds in the following month from when he first opened the account, I'm not persuaded that Paragon were unreasonable in suspending the account in line with the terms. Although they did release the funds without this documentation, this appears this was only due to Mr T disclosing his housing situation to Paragon on 12 January and in more detail on 14 January 2024. Paragon told Mr T on the call on 14 January 2024 that they have two working days to respond to emails. And the call was within two working days of the emails regarding his living arrangements.

I can see that the call handler escalated the situation to their head office based on what Mr T told them, and they agreed to release the funds in the account to Mr T in a timely manner. I'm unable to ask Paragon to pay Mr T interest on the £85,000 that he intended to add to the account, on the basis these weren't actually added to the account, and due to the suspension, it appears the only way they could've been added to the account is if Mr T provided them the documentation they asked for in the format they asked for. So as Paragon were entitled to suspend the account, in line with the terms, it follows I don't require Paragon to do anything further.

### **My final decision**

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 20 June 2024.

Gregory Sloanes  
**Ombudsman**