

The complaint

H is a limited company that complains about how Zempler Bank Limited treated it when they withheld funds that had been paid in. H says this caused stress, inconvenience, as well as losses and damage to the business.

What happened

During July 2024, a customer of H sent funds to H's bank account with Zempler for services rendered. Zempler held the payment and contacted H saying they needed to perform security checks, then requested from H, proof of payment (POP), in particular a remittance advice slip for the payment. H provided documentation but Zempler rejected it saying it was not what they asked for. At the same time, Zempler partially restricted H's use of the account with them.

H telephoned and emailed Zempler unhappy with the situation, explaining its frustrations and the impact on the business, requesting from Zempler £6,000 for distress and inconvenience, £21,000 in anticipatory losses, £100,000 for reputational damage, and 8% interest on the balance held with them. As a result, Zempler logged a complaint, and H also brought the matter to this service.

A few days later, Zempler returned the payment to its originator but then performed a subsequent review a few days after that in which they accepted the documentation that H had originally supplied. Access to the bank account was reinstated, and Zempler told H they would accept the payment if it was resent.

Zempler responded to the complaint with their final response letter in which they didn't uphold one aspect of the complaint, but did uphold another. Zempler didn't uphold the inbound payment aspect saying that as part of their regulatory obligations for security and fraud prevention, payments may be subject to manual review which may involve them asking their customers for information or documentation. They went on to say that this information is in their terms and conditions.

The aspect they did uphold was the delay in the completion of their secondary regulatory review for which they apologised and awarded a compensation payment of £35. In their letter, Zempler also listed other payments which had been returned due to the account restrictions they had placed.

As H had brought the complaint to our service, and mentioned other payments which had been subject to Zempler's checks, our investigator looked into the matter. They issued their view in which they said that the bar that Zempler had set for customer evidence was too high, and the evidence that H supplied was clearly adequate, as it was accepted by them, albeit within the subsequent review. They said there was an unreasonable delay in the second review which caused unnecessary interruption to the business and Zempler should pay H £450 in compensation.

Our investigator also said that in terms of H's request for distress compensation, it could not be awarded to a limited company as it cannot suffer distress or indeed any emotion.

Zempler disagreed with our investigator's view saying the £450 compensation was excessive considering the amount of the payment in question was a little over £300.

H also disagreed with this outcome saying the minimum compensation should cover all the affected payments and take into account how H is having to chase these with each customer. Accordingly, H asked for an Ombudsman to review its 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.

I have looked at the information Zempler has supplied to see if it has acted within its terms and conditions and to see if it has treated H fairly. It is always regrettable when we see a relatively simple process like funds being paid into an account result in a much longer protracted experience. I sympathise with H for the frustration it experienced. It's our role to identify if a business has made a mistake and if so, look at the impact this has had on the consumer.

If I don't mention any specific point, it's not because I failed to take it on board and think about it, but because I don't think I need to comment on it to reach what I think is a fair and reasonable outcome. No discourtesy is intended by me in taking this approach. H has sent a significant amount of information to this service for which I'm grateful, but I have focused my decision on key points.

Addressing the major issue, Zempler are entitled to have in place, security and regulatory processes for their own protection, and that of their customers. So here, I can't find that Zempler made any error by holding the payment for review. However, what's not in question is that an error was made; specifically, the delay by Zempler in accepting the documents provided. It's clear, as our investigator said, that despite Zempler initially rejecting it, that the evidence H supplied was indeed fit for purpose, and should have been accepted earlier. I'm pleased to note that Zempler did acknowledge this failing, and sought to resolve the issue with a compensatory gesture.

Before I move on to compensation, I did want to acknowledge that H has mentioned other payments but I'm aware that the complaint, and Zempler's response is solely about the payment in question. That said, I did want to pick up on H's mention of other payments in a sense of communication. What I've not seen within the file of this complaint is any evidence of H attempting to educate Zempler on their business activities, perhaps after the first few payment issues. That way, payment reviews may have been reduced had Zempler been fully aware of how H's business worked in terms of the mechanism of how it accepted payments.

I'm aware that H has asked to close their account with Zempler so going forward, it may be of benefit if H ensures contact with any future bank account provider to explain more about their billing processes and requirements and equally, that provider could help H understand their processes – although I respect that providers will not be able to go into detail about them for security reasons.

Turning to compensation, I'm aware that H has requested over £100,000 spread across distress and inconvenience, anticipatory losses, and reputational damage. But looking at Zempler's terms, they do make clear that they will not be liable for business interruption,

reputation, or loss of income or business opportunity. And as our investigator said, as the limited company that H is cannot suffer distress, a payment for this cannot be awarded.

To conclude, I'm sorry that the consequences of Zempler's security processes, and delay in accepting evidence had the impact they had, and I know H feels strongly about this. Taking into account all the evidence, I do feel that Zempler were within their rights to invoke these processes.

While H is likely to be unhappy with my decision, taking everything into account, I find that the £450 is a fair and reasonable amount of compensation.

My final decision

For the reasons I have given it is my final decision that the complaint is upheld and I require Zempler Bank Limited to pay H a total of £450 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 13 January 2025.

Chris Blamires
Ombudsman