

## Report Concerning Breach of Financial Sanctions Regulations

### Publication of a Report – Vanquis Bank Limited

#### Summary

1. On 08 September 2025 the Office of Financial Sanctions Implementation (“**OFSI**”), part of HM Treasury, issued this report in accordance with s149(3) of the Policing and Crime Act 2017 (“**PACA**”) against Vanquis Bank Limited (“**VBL**”) for breaching regulations 11 and 12 of the Counter-Terrorism (Sanctions) (EU Exit) Regulations 2019 (“**the Regulations**”). OFSI refers to the use of this power as Disclosure.
2. VBL is a UK-registered company, regulated by the Financial Conduct Authority (“**FCA**”), providing financial services to consumers.
3. This Disclosure relates to breaches of the Regulations which prohibit making funds available to a designated person or dealing with funds owned, held or controlled by a designated person. The breaches occurred due to a delay in restricting access to an account for eight days following designation, during which time a person designated under the Regulations (“**the DP**”) was able to have full access to their funds. The DP was able to withdraw cash, and a transaction was processed on the account. In permitting the cash withdrawal and transaction, VBL made funds directly available to a designated person.
4. OFSI categorises breach cases as being of lesser severity, moderate severity or serious enough to justify a civil monetary penalty. On the facts as known, OFSI does not assess the breach as sufficiently serious to impose a monetary penalty. However, the nature and circumstances of this breach were assessed as moderately severe and in OFSI’s judgement publishing a Disclosure is the appropriate and proportionate enforcement response.

5. OFSI considers that this breach satisfies the test at section 149(3) of PACA 2017 which states:

*“The Treasury may also publish reports at such intervals as it considers appropriate in cases where—*

- (a) a monetary penalty has not been imposed under section 146 or 148, but*
- (b) the Treasury is satisfied, on the balance of probabilities, that a person has breached a prohibition, or failed to comply with an obligation, that is imposed by or under financial sanctions legislation”.*

### Detail

6. The day before the DP was designated under the Regulations, OFSI wrote to VBL to advise it that a suspected customer of the bank would be designated for the purposes of an asset-freeze the following day. OFSI did not provide any personal details of this customer to VBL, the notification solely outlined that a designation was due to happen and that the DP might have been a customer of VBL. Pre-notification was given in this instance by OFSI as the designating body for this regime, given the terror financing risks in this case and the regime purpose of protecting national security.
7. On the day of designation, OFSI updated the Consolidated List with details of the DP and sent an e-Alert to subscribers publicising the designation.
8. The day after the designation, at approximately 0830 VBL’s screening system generated a potential match alert for the DP and placed it into a queue for prioritisation.
9. The day after the designation, at 0943, the DP withdrew £200 in cash from their account with VBL.
10. Five days after the designation, the DP made a purchase of £8.99 from their VBL account.
11. Eight days after the designation, VBL confirmed the alert generated by its screening system was a positive match to the DP and restricted access to the DP’s account.
12. Thirteen days after the designation, VBL reported the breaches to OFSI.

13. VBL indicated that they rely on two suppliers for their sanctions screening. One supplier provides the sanctions list, whilst the other supplies the automated screening system that screens those listings against VBL's customer data, flagging any potential matches. Any potential matches are then escalated for a first and second line review the following day by VBL staff and where a match is identified, the DP's account is restricted. The VBL service level agreement ("**SLA**") timeframe for these reviews is one day. VBL noted that they assessed that their products carry low sanctions risk, as credit cards are only available to UK residents. As such they assessed that the above model was appropriate for their business needs.
14. VBL reported that in 2024 a separate risk event was identified in the automated screening system. This event resulted in a number of alerts being falsely closed as duplicates. As part of their remediation activity, VBL generated a large number of alerts for manual screening. VBL reallocated resources from its first line referral team to undertake this remediation activity.
15. VBL's screening system's potential match alert for the DP the day after the designation failed to meet the SLA due to the lack of resource in the first line referral team caused by the reallocation of staff to the remediation activity. As a result, the alert was not reviewed by VBL's first line referral team until eight days after the designation. This was despite OFSI having forewarned VBL that a suspected customer of the bank was due to be designated the following day. Following the first line review, the alert was escalated to the second line team and access to the account was restricted on the same day.
16. In light of the above, OFSI considers VBL to be in breach of regulations 11 and 12 of the Regulations by making funds available to, and dealing with funds owned, held or controlled by, the DP.
17. OFSI considered the following aggravating factors when reaching its decision to publish this Disclosure:

- a. OFSI forewarned VBL that a suspected customer of the bank was due to be designated the following day, which should have made VBL especially vigilant to the designation;
  - b. VBL made funds directly available to a designated person and a purchase was processed on the DP's account;
  - c. A delay of eight days between designation and restricting the account meant the DP had full access to their credit card and could have made additional withdrawals or purchases; and
  - d. VBL is an FCA-regulated firm and therefore is expected to have significant awareness and understanding of sanctions risks, in addition to sufficient financial crime systems and controls in place to ensure that it does not make funds available to a designated person.
18. OFSI considered the following potentially mitigating factors when reaching its decision to publish this Disclosure:
- a. VBL voluntarily provided complete reporting of these breaches and was cooperative in assisting OFSI's investigation;
  - b. The cash withdrawal occurred within 24 hours of the DP's designation;
  - c. There is no evidence of deliberate circumvention by VBL; and
  - d. The breaches are of comparatively low value and present as isolated, as opposed to forming part of a pattern.
19. OFSI considered that the length of time it took VBL to restrict access to the account was inappropriate. OFSI noted that the risk event which led to VBL's decision to redeploy staff was not within its control, however the failure to ensure business continuity was, and led to a period when the DP had full access to the account and credit card.

### **Compliance Lessons for Industry**

20. Companies and individuals must ensure they do not make funds available to designated persons under the Regulations. The delay in VBL's response to the designation led to funds being made directly available to the DP

21. Companies should exercise particular vigilance if they receive a notification from OFSI that a suspected customer may be designated in the near future. Where OFSI is the designating body, OFSI will take a case-by-case approach when issuing such notifications, and companies must still ensure their systems and controls are appropriate and that they can act quickly to implement sanctions even where OFSI does not provide prior notification.
22. This case demonstrates that companies should carefully consider whether they have adequate operational resilience in their sanctions screening processes and should look to develop and implement robust contingency plans to ensure business continuity and prevent delays in response to sanctions designations.
23. For persons designated under the domestic counter terrorism regime allowing access to funds – even low value – post-designation not only presents a risk of circumvention, but also of direct terrorist financing.
24. If you know or believe you have committed a breach of financial sanctions, you should inform OFSI as soon as practicable. OFSI values voluntary disclosure and this may be considered a mitigating factor when OFSI assesses the case.
25. If you are in possession or control of, or are otherwise dealing with, the funds or economic resources of a designated person you must:
- a. Freeze them
  - b. Not deal with them or make them available to, or for the benefit of, the designated person, unless:
    - i. there is an exception in the legislation that you can rely on; or
    - ii. you have a licence from OFSI; and
  - c. Report them to OFSI.
26. Further information and guidance on UK financial sanctions can be found on OFSI's website: <https://www.gov.uk/government/organisations/office-of-financialsanctionsimplementation>