Observatoire ARGA

INTERNATIONAL ANALYTICAL REPORT

D-15. De-risking and PEPs
Financial Inclusion and the Limits of Controls

European Union and United Kingdom

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1. Principal findings

Politically exposed person (PEP) status denotes particular exposure to risk associated with the exercise of prominent public functions. It is not a finding of corruption, money laundering or inclusion on a sanctions list. For a financial institution, the status entails certain checks and a management decision. Turning it into an automatic prohibition on providing services changes the logic of preventive regulation: assessment of specific risk is replaced by the exclusion of an entire category of customers. FATF expressly distinguishes preventive measures from a presumption of criminal activity. [1]

Nevertheless, the absence of a prohibition on serving PEPs does not confer an unconditional right to every banking product. A financial institution must identify the customer and beneficial owner, understand the relationship and meet the applicable due diligence requirements. Where mandatory requirements cannot be met, or specific risk cannot be managed through permissible measures, refusal may have a lawful basis. The central question is precisely what made the service impossible and whether this was established for the particular customer.

This report examines de-risking as the refusal of relationships or transactions in order to eliminate the associated risk. Its justification cannot be determined merely from the closure of an account. The same outward result may arise from mistaken identity, a sanctions prohibition, inability to complete due diligence, a commercial decision or a disproportionate internal policy. These grounds require different evidence and different forms of legal assessment.

In the European Union, individual risk assessment operates alongside safeguards for consumers' access to a basic payment account. In the United Kingdom, particular importance attaches to the lower starting level of risk for domestic PEPs and to changes to payment contract termination rules that took effect on 28 April 2026. Those changes do not establish an identical regime for all existing accounts: the contract date, type of relationship and statutory exceptions matter. [3-8]

The study's principal conclusion is that sound compliance must preserve the distinction between status, suspicion and prohibition. Financial inclusion does not require risk to be ignored. It requires risk to be identified, examined and linked to consequences that are actually needed to contain it. Legal protection is most meaningful where it can restore that connection, rather than merely secure another generic refusal letter.

2. Scope and limitations

The report concerns relationships between a financial institution and a customer for whom PEP classification, or a connection to a PEP, becomes a material factor in access to financial services. It focuses on the EU and the United Kingdom. The French right-to-an-account mechanism provides a national example of why a European rule cannot be applied mechanically without considering the particular procedure. The regulatory position is assessed as at 23 September 2026.

The analysis covers personal and corporate relationships while distinguishing their legal regimes. A consumer seeking a basic account for everyday payments and a company seeking complex international services operate under different regulatory conditions. Having the same beneficial owner does not make the safeguards, contractual terms and options for restricting a product identical. The distinction between a bank deposit, a payment account and an investment intermediary's service also matters.

The term 'financial exclusion' describes the practical result: inability to use essential infrastructure. It is broader than the legal concept of an unlawful refusal. A restriction may impose serious hardship while complying with the law; conversely, a seemingly minor delay may reveal systematic use of an incorrect criterion. Social impact and legal classification are therefore considered separately before their connection is analysed.

The report does not establish the proportion of unlawful refusals among all bank decisions. Published rules, supervisory documents and judgments provide assessment criteria, but cannot replace a representative sample of customer files. The prominence of an individual dispute, the number of press reports and the volume of enquiries received by an organisation do not themselves establish prevalence. The hypothetical situations below test the boundaries of legal arguments.

The comparison also has temporal limits. An adopted instrument may already influence institutions' preparations without yet creating an applicable obligation in a particular relationship. Regulation (EU) 2024/1624 will generally apply from 10 July 2027. It cannot be used retrospectively to declare a September 2026 decision unlawful merely because a future rule is worded differently. [14, Art. 90]

3. De-risking: the decision, its reason and its practical effect

The EBA definition of de-risking covers refusal to establish relationships, termination of relationships and refusal to carry out transactions associated with higher money laundering or terrorist financing risk. This approach brings the problem into view before an account is finally closed. Nevertheless, an additional check is not itself a refusal: what matters is whether the customer retains a genuine opportunity to use the service once the specific issue is resolved. [6, para. 7]

Three levels can usefully be distinguished. The first is the legal basis: a prohibition, a due diligence obligation or a contractual power. The second is the factual reason: an unidentified beneficial owner, inconsistencies in the source of funds, an erroneous record or a bank's lack of resources. The third is the chosen measure: refusing a particular transfer, restricting a product, suspending access or terminating all relationships. The lawfulness of the first level does not automatically establish the justification of the third.

For example, the need to clarify the recipient of an international transfer does not itself explain the closure of a domestic salary account. The reverse is also possible: an apparently ordinary transfer may form part of a relationship in which the bank cannot identify the funds' actual owner. Focusing narrowly on the latest transaction can therefore understate risk, while relying only on a customer's general profile may extend restrictions without justification.

Commercial considerations require separate attention. Serving a complex customer may be expensive, but high cost and legal prohibition are different grounds. Confusing them obstructs review: the customer tries to rebut suspicion when the actual reason concerns the business model. Conversely, describing a decision as commercial should not automatically prevent examination of whether it conceals an impermissible criterion or breaches a specific duty to provide a basic product.

The practical result is assessed by reference to the account's available functions. Being able to log into an application means little if every material transaction is repeatedly delayed without a defined subject of enquiry. Assessment nevertheless requires a chronology: which transactions were restricted, what information was requested, when it was supplied and how the reason for delay changed. The word 'compliance' alone establishes neither the lawfulness nor the unlawfulness of what occurred.

4. The legal nature of PEP status

A public function creates a particular opportunity to influence the allocation of resources, authorisations, public contracts and appointments. The connection with that opportunity explains the special attention paid to financial relationships. The legal category is not defined by fame, wealth or the volume of political statements. A person may be a prominent critic of the authorities without holding a function that makes them a PEP; another may possess significant powers while remaining largely unknown to the public.

UK Regulation 35 defines the category by reference to prominent public functions and excludes middle-ranking and junior officials. Its list includes, among others, heads of state and government, parliamentarians, certain senior judicial positions, and members of the leadership of central banks and state-owned enterprises. The legally relevant element is the function, rather than a loose translation of a job title in a commercial database. [3, paras 12, 14]

In the EU, Article 20 of Directive 2015/849 connects PEP relationships with senior management approval, adequate measures to establish the source of wealth and funds, and enhanced ongoing monitoring. The Directive sets obligations for Member States to establish the framework; the provisions directly applicable to a bank must be considered alongside national legislation. This distinguishes the European framework from a universal instruction that can be invoked identically against any institution. [2]

This is particularly important when comparing administrative systems. The same title may denote different powers. 'Adviser' does not indicate whether the individual controls public funds; membership of a governing body does not, without further information, establish the nature of the organisation. Classification therefore requires examination of the institution's structure, the body's functions and the individual's position, rather than merely matching words against the bank's internal reference list.

PEP classification and risk level are also distinct. The former determines whether the special regime applies. The latter determines the intensity of checks and the factual circumstances requiring attention. An error arises when classification is treated as a completed assessment: if inclusion in the category predetermines the most adverse outcome, individual examination becomes a formality.

Analytically, this can be expressed as two independent questions. Does the person meet the statutory definition? If so, which features of this particular relationship require additional measures? A negative answer to the first question does not exclude ordinary AML risks. A positive answer does not establish that property is unlawful. Preserving both boundaries protects the effectiveness of checks and the accuracy of conclusions about the customer.

5. Domestic and foreign PEPs: why jurisdiction matters

Since 10 January 2024, UK Regulation 35(3A) has prescribed a lower starting level of risk for domestic PEPs, their family members and known close associates than for non-domestic PEPs. In the absence of additional risk factors, enhanced due diligence must be less extensive. An additional factor cannot consist simply of the same status or connection that already provided the basis for classification. [3-4]

A domestic PEP is defined by the United Kingdom's entrustment of prominent public functions. The term is not synonymous with British citizenship, residence in London or UK tax residence. A former foreign minister does not become a domestic PEP merely by relocating. Equally, the jurisdiction relevant to the public function should not be inferred solely from a passport. Replacing a functional criterion with an immigration criterion introduces an error before financial circumstances are even assessed.

A lower starting assessment is not an exemption from due diligence. It changes the starting point and intensity of measures, but does not prevent consideration of independent indicators of risk. An unexplained increase in wealth or an opaque ownership structure, for example, has its own significance. The ground for increasing the assessment must be capable of explanation without circular reasoning: that the person is risky because they are a PEP and that the same status establishes the need for maximum measures.

Equally, a foreign public function does not establish the same high risk in every case. The FCA permits differentiation, including consideration of the quality of the relevant country's anti-corruption arrangements. This does not entitle customers to assign themselves a low-risk category, but undermines the conclusion that every foreign PEP position requires the same volume of documents regardless of individual circumstances. [5]

An international banking group faces an additional difficulty: a common reference database does not remove differences in applicable law. Legal assessment must consider where the service is provided and the group's relevant obligations. Head-office policy may explain the organisation of checks, but does not itself replace a local rule. A cross-border comparison of restrictions must therefore first identify the legal entity that made the decision and the regulatory system in which it operates.

6. Family, close associates and corporate ownership

Special measures extend beyond the holder of the public function. Assets economically connected to that person may pass through relatives, joint ownership and other close business relationships. A legally relevant connection must not, however, become an endless chain of associations. Acquaintance, a photograph together or work in the same industry does not adequately characterise the relationship without establishing its substance and the applicable definition.

Regulation 35 separately defines family members and known close associates. The latter include, in particular, joint beneficial ownership, close business relationships and structures established for a PEP's benefit. When determining such a connection, the rule directs attention to information held by the institution and credible publicly available information. A relative does not independently become a holder of public functions simply through kinship. [3, paras 12, 15]

The corporate level introduces the question of control. Where a PEP is the customer's beneficial owner, this matters for due diligence, but the company does not acquire a public office. Economic participation, powers of disposal and the mechanism through which benefits are received must be understood. The formal absence of a direct shareholding does not exclude control; a minority holding does not, without further analysis, permit every act of the organisation to be attributed to the individual.

Extending checks to a company does not justify automatically applying an identical assessment to every employee and counterparty. A director, owner, employed accountant and independent supplier have different relationships with assets and powers. Each assessment requires its own connecting fact. Otherwise, beneficial ownership checks are replaced by general reputational association, limited only by the breadth of the information search.

The nature of the evidence matters. A corporate register establishes the registered position, a contract records agreed rights, and financial flows show actual movements of funds. These sources may complement one another, but are not interchangeable. A document showing no shareholding does not automatically rebut another basis of control; a report of friendship does not replace evidence of joint economic activity. The accuracy of the connecting fact determines the justification for subsequent checks.

7. Former PEPs and changes in risk over time

Leaving public office changes the circumstances, but does not necessarily eliminate the associated risk immediately. Retained powers, informal influence and previously acquired assets may require examination. At the same time, continuing to process a person as a serving official after a confirmed departure distorts the factual picture. An accurate file must reflect the historical function, its end date and the separate basis for current measures.

UK Regulation 35(9) requires certain enhanced measures to continue for at least twelve months after the function ends and, where necessary, longer to address the relevant risk. Paragraph 11 does not automatically extend that period to family members and known close associates: once the function ends, the special requirements under those provisions are no longer mandatory for them solely because of the former connection. Other established risks are assessed separately. [3]

Two common formulations are therefore equally inaccurate. One is that all information must be deleted after a year. The other is 'once a PEP, always a PEP'. Historical data may retain lawful relevance, but the current classification and intensity of controls must correspond to the regulatory regime and present circumstances. The duration of special checks, the retention period for records and the persistence of a particular risk address different questions.

A causal connection matters when continued scrutiny is assessed. Maintaining a measure because the origin of a particular asset remains unexplained is different from relying on the former office itself. If the sole explanation is that a record has not been updated automatically, the issue concerns data quality and process management. The length of a check cannot be justified merely by saying that the previous check remains unfinished: that explanation is circular and refers only to the process's own administrative state.

Time also has analytical value because it allows changes in behaviour to be observed. Transparent subsequent transactions, clarification of income sources and the end of particular connections may affect the assessment; new inconsistencies may raise it. Review therefore does not require risk to be reduced. It requires information genuinely to be capable of changing the decision in either direction, rather than the assigned category operating as an immutable label.

8. Source of wealth and source of funds

Source of wealth concerns the origin of overall wealth, whereas source of funds concerns the money involved in a particular relationship or transaction. The questions are connected but distinct. Information about a successful business does not automatically establish the origin of a particular transfer. A statement showing receipt from another bank proves a movement of funds, but does not always explain the economic event that generated them. [3, para. 5; 10]

Assessment of the source of wealth requires a sequence showing how assets were accumulated: business income, employment payments, asset sales, inheritance or another basis. Different bases require different evidence. A standard questionnaire may help collect information, but cannot replace understanding of what a document actually proves. A tax return, disposal agreement and account statement serve different purposes and do not gain probative force simply by being supplied repeatedly.

In a cross-border setting, the connection between stages is particularly important. Selling a company may explain the general source of wealth, but a bank separately examines how the proceeds passed from buyer to seller and then to the particular account. A lawful original source does not remove the need to explain intermediate ownership. Conversely, the involvement of several jurisdictions does not itself establish concealment where the sequence has an intelligible business rationale.

The proportionality of a request is assessed against its purpose. A document relating to an old transaction may be necessary for a substantial current receipt if that transaction generated the funds. The same document may say little about small regular payments from verified current income. The rules examined do not prescribe a universal number of years or pages after which due diligence is invariably sufficient. What matters is resolving material uncertainty, rather than the size of the file itself.

The absence of a particular document is not equivalent to an inability to explain the origin of property. Whether other reliable information can be used depends on the applicable law, the subject of the check and the risk. Yet a general assurance from the customer does not necessarily replace independent confirmation. A reasoned assessment lies between two extremes: unconditional acceptance of any declaration and a demand to reconstruct an entire life through documents without a connection to the assets being serviced.

9. Individual assessment and the limits of internal models

Individual assessment means more than inserting a customer's name into a standard form. It requires the conclusion to depend on that customer's circumstances: the function held, income sources, account purpose, transaction geography and ownership structure. Factors must not be counted repeatedly under different labels. A foreign office, foreign employer and foreign source of income sometimes describe the same circumstance, rather than three independent indicators of risk.

A scoring model can help allocate attention, but its final score is not an independent fact about the customer. It expresses the outcome of selected rules, weights and input data. An incorrect office date or an excessively broad category of close associates can therefore raise the assessment even when the software works correctly. Computational accuracy and the justification of the initial classification are different properties of a system.

Meaningful review requires attention to what can rebut the initial assumption. If confirmation of departure from office, a change in beneficial ownership or a credible explanation of a receipt cannot affect the outcome, the reality of individual assessment becomes doubtful. This does not mean that every new certificate must reduce the category. It must be assessed for what it addresses, and retention of the previous conclusion must have a reason connected with the remaining risk.

In paragraphs 9-12 of its 2023 Guidelines, the EBA distinguishes category risk from individual customer risk and envisages consideration of reasonably applicable mitigating measures before refusal. Analytically, this requires the measure to be linked to a specific vulnerability: more intensive monitoring addresses one issue, product restrictions another, while inability to identify the owner of funds may affect the conditions for the relationship itself. [6]

The limit of this approach is that a bank is not required to create every conceivable service model. The measures to be assessed must be realistically available and legally permissible. Nevertheless, the mere absence of a preconfigured process does not prove that a customer's risk is objectively unmanageable. A feature of the relationship must be distinguished from an organisational limitation of the institution. This matters for supervisory assessment: inadequate internal resources cannot, without explanation, be presented as an established danger posed by a particular person.

10. When refusal has an independent basis

A justified refusal begins with precise identification of the unmet requirement. Inability to identify the actual beneficial owner, material inconsistencies concerning transaction purposes and the absence of a reliable explanation of the source of funds are different issues. A general reference to 'higher risk' does not show which question remains unanswered. Legal assessment concerns both the existence of uncertainty and its significance for the applicable obligation.

In the EU, Article 14(4) of Directive 2015/849 connects inability to meet the identification, beneficial ownership and purpose-and-nature requirements under Article 13(1)(a)-(c) with refusal of the relevant transaction or relationship, or termination of the relationship. This is not a penalty for silence or a presumption that funds are criminal proceeds. A financial institution may be legally unable to provide services even without evidence of a crime. Conversely, the absence of criminal proceedings does not establish that the necessary elements of due diligence have been satisfied. [2, Art. 14]

Suspicion and refusal are also distinct. The duty to report to a competent authority, permission to execute a transaction and the decision on continuing services are governed by related but different rules. The absence of procedural consequences known to the customer therefore does not establish that the bank had to continue all transactions. Nor does the existence of a restriction show that a relevant authority confirmed the bank's suspicions.

Particular importance attaches to the difference between inability to obtain information and unwillingness to assess material supplied. In the first case, documents or explanations are missing or cannot establish the necessary fact. In the second, they exist but have not been substantively considered. The external correspondence may look the same, so a dispute often requires examination of the sequence of requests and replies. Repeating a request for an already supplied document is not invariably unlawful, but the reason should be something other than a mechanical failure to process it.

The permissible extent of restrictions depends on whether the deficiency can be remedied. If a specific issue can be resolved by clarification, final termination requires a separate explanation under the applicable regime. Where a fundamental element of the customer's structure cannot be established, restricting one transfer may not solve the problem. Proportionality does not require the mildest measure regardless of effectiveness; it requires the burden of the measure to correspond to the issue being addressed.

11. The right to a basic account in the European Union

Directive 2014/92/EU establishes a special framework for consumer access to payment accounts with basic features. It does not impose a general duty on every bank to provide every product. Articles 15-19 connect non-discriminatory access with a defined class of persons, a set of services and grounds for refusal or termination. Opening an account must not breach anti-money laundering requirements. National procedures determine how those provisions are implemented in practice. [7]

The legal significance of a basic account lies in separating everyday infrastructure from more extensive commercial services. Receiving income, paying for accommodation and making ordinary payments serve a different social function from an investment strategy or individually structured product. Refusal of the latter does not automatically infringe the right to the former. Equally, an offer of a limited service does not establish that its functions are sufficient to provide the statutory basic access.

For PEPs, this boundary is particularly important. Special status does not remove applicable AML obligations, but must not become an unstated additional ground for refusal. The assessment must relate to the product actually requested. Where the application concerns a basic account, examining every potentially possible future investment activity may move the decision away from its actual subject.

The Directive provides for information about refusal and access to complaints procedures, subject to qualifications concerning protected interests. This gives procedural significance to identifying the product itself. A dispute about an ordinary premium package and a dispute about a basic account cannot be assessed through the same contractual formula. Each requires identification of whether the relevant application was made and which special obligations arose for the institution.

Limited account functionality may reduce certain risks, but does not create a product free from controls. Basic payments can be misused; the absence of credit does not establish the origin of money. The financial inclusion argument is therefore persuasive when it shows how a particular service format can meet the requirements, rather than denying the requirements themselves. This approach allows essential account functions to be discussed without promising unrestricted access.

12. The French model: designation of a bank and the limits of the guarantee

In France, the right to an account is implemented, among other mechanisms, through Banque de France's designation of a credit institution where the statutory conditions are met. The official description also covers certain professional and corporate situations. Relevant conditions include the absence of an appropriate account, evidence of refusal and the applicant's connection to a territorial or personal category recognised by law. This is a national mechanism, rather than a procedure automatically available in every EU Member State. [11]

Designation addresses an institutional problem: a particular institution becomes responsible for opening an account under the prescribed conditions. It does not, however, establish in advance the accuracy of all the customer's information or remove due diligence requirements. The central bank's involvement must not be interpreted as certification of the lawful origin of property. Otherwise, a decision allocating responsibility for providing services is wrongly converted into a universal compliance document.

For a PEP, two independent questions therefore arise. Are the conditions for exercising the right to an account satisfied? Can the designated bank complete mandatory due diligence on the particular relationship? A positive answer to the first strengthens the legal position on access, but does not make the second irrelevant. Equally, the complexity of PEP due diligence must not automatically be presented as objective impossibility.

The ACPR's explanation emphasises that PPE classification does not create general suspicion concerning all the person's transactions. The French example thus illustrates compatibility between particular vigilance and participation in the financial system. Additional information about professional, family and financial circumstances may be justified, but its purpose is to understand the relationship, rather than establish a lifelong restriction based on status. [10]

The procedure's practical outcome must be assessed by reference to the basic services actually provided. Successful designation does not mean obtaining credit, personal investment management or every cross-border transaction. Those products have their own conditions. Conversely, formal account opening does not resolve the issue if the prescribed basic functions remain unavailable in practice. This distinction makes assessment more accurate than a simple opposition between 'the bank opened an account' and 'the bank refused'.

13. United Kingdom: changes from 28 April 2026

The Payment Services and Payment Accounts (Contract Termination) (Amendment) Regulations 2025 entered into force on 28 April 2026. For covered framework contracts of indefinite duration entered into from that date, the new structure requires at least ninety days' notice, a sufficiently specific explanation of reasons and information about complaints routes. Contracts entered into earlier remain subject to a separate regime. The amendments also affect provisions on basic accounts. [8]

The temporal boundary has independent legal significance. The date of the closure letter does not replace the contract date. An account opened long ago and closed in autumn 2026 does not automatically become a new contract merely because the decision follows commencement of the amendments. Subsequent changes to the relationship require examination of the documents: an ordinary tariff update cannot be equated with a new contract without analysis.

The exceptions are also different. Regulation 51C specifies cases where the notice requirement does not apply, including certain AML circumstances; Regulation 51D removes the minimum period in specified situations while retaining a requirement for prompt subsequent notice, subject to relevant qualifications. Saying that a bank may close immediately therefore does not yet answer whether it must give reasons or when it must do so. [8]

For PEPs, the reform matters because, in covered cases, a generic reference to internal policy may be insufficient to make the decision intelligible. The new explanation requirement nevertheless does not remove lawful disclosure restrictions or make every closure prohibited. Assessment concerns the substantive ground, the applicability of an exception and procedural compliance together. These elements cannot be replaced by counting days alone.

Legal analysis of a UK refusal after April 2026 therefore requires several established facts: the product type, customer category, contract date and duration, mode of termination, notice contents and identified exception. Contractual terms may provide additional protection, but cannot displace mandatory rules. The existence of new legislation does not justify promising a universal ninety-day period in every situation.

14. Reasons and confidentiality

A substantive reason links the decision to a particular fact or unmet requirement. A statement that a customer falls outside risk appetite describes an internal outcome, but usually explains little about what happened. The extent of mandatory disclosure depends on the jurisdiction, product and applicable regime. Analytically, however, absence of an explanation to the customer must be distinguished from absence of an internal basis: the former does not prove the latter, but can make it harder to examine.

Rules against disclosing certain reports and investigations protect financial intelligence work. They do not mean that all communication with the customer is automatically prohibited. The content of the information, the applicable provision and the risk of revealing a protected circumstance matter. In the EU, the issue concerns, among other provisions, Article 39 of Directive 2015/849. The specific scope of the restriction must be considered in light of national implementation. [2]

This places limits on both sides' arguments. A customer cannot treat the bank's silence as proof that no lawful reason exists. Equally, a general reference to confidentiality provides no logical confirmation of every measure the bank has taken. A competent body may examine the basis under arrangements different from direct correspondence with the customer. Different recipients of information have different levels of access.

Some questions can often be separated from protected content: whether identity was correctly established, whether the public-function date is current, which product is restricted and whether a document was received. The ability to disclose a particular element depends on the circumstances, but general secrecy must not erase the distinction between such questions and revealing a suspicious activity report. Process quality depends on the ability to separate protected information from ordinary correction of an administrative error.

Reasons matter beyond appeals. They allow examination of whether the problem identified by the bank matches the question the customer is answering. If refusal results from unresolved control over a company, another income certificate may change nothing. Conversely, a precise document can resolve the dispute only where a mechanism exists for substantive consideration. Without it, transparency becomes additional paperwork without feedback.

15. Commercial databases and PEP profile accuracy

A commercial profile is an information tool, rather than an act conferring public office. A record may combine official information, news, corporate connections and historical data. A bank needs to establish which element satisfies the applicable legal criterion. A 'PEP' label without a date, function or source does not show whether it concerns a serving official, a former officeholder, a relative or a mistaken match.

The FCA specifically notes that using commercial databases is not itself mandatory and requires understanding of how they are populated and verification that identified persons meet the statutory definition. This does not exclude automated searches, but leaves legal assessment with the institution. Importing a provider's data does not transfer the bank's responsibility for its service decision to that provider. [5]

In the EU, personal data accuracy and updating requirements, together with the right to rectification, create an independent subject of protection. An erroneous fact can be challenged regardless of whether a particular bank must open an account. Correcting data and reversing a commercial decision are nevertheless different outcomes. The bank may have other lawful grounds for refusal, while the database provider does not control the contract between the customer and the institution. [12, Arts 5, 16]

A particular problem arises when several publications reproduce one original report. The number of links then does not represent independent corroboration. Assessment requires attention to provenance, the distinction between reporting an allegation and establishing a fact, and subsequent developments. A historically accurate publication can misrepresent the current position if the profile fails to reflect departure from office or the outcome of the relevant proceedings.

A hypothetical namesake illustrates the limits of a technical match. If a system matches the customer's name with an official whose birth date and biography differ, the initial alert requires identity verification. The match does not become accurate merely because several banks use the same provider. Repetition of an error may resemble confirmation of risk when it actually reflects a common dependence on the same information.

16. Data access and automated decisions

A dispute about a PEP profile requires a distinction between access to personal data and access to all the bank's internal material. The GDPR provides certain rights concerning data processing, but is not a universal disclosure procedure for a commercial file. Asking what information about a public office is processed differs from demanding the entire risk-management algorithm, internal legal opinions and information about other people. [12, Art. 15]

The right to rectification concerns accuracy. If the dispute is about the date of departure, a document terminating the appointment directly addresses it. If the bank is assessing a former official's influence, correcting the date does not itself resolve that evaluative dispute. The relevant questions are which facts support continuing influence and whether a historical function is being presented as current.

Erasure is not an unconditional consequence of dissatisfaction with due diligence. Retention obligations, the lawful basis for processing and exceptions matter independently. A demand to remove the entire history may therefore be legally weaker than a precise challenge to an incorrect current classification. Restriction of processing and notification of rectification to recipients fall under the relevant GDPR provisions and their conditions; they do not automatically cancel every risk. [12, Arts 17-19]

Where a decision is solely automated and produces legal or similarly significant effects, a separate question arises under Article 22 GDPR. The existence of a software-generated score does not itself establish that such a decision was made. What matters is the person's actual role, their ability to change the result, and the applicability of statutory exceptions and safeguards. This analysis concerns the EU and cannot be transferred to UK data legislation without separate examination.

Human involvement is assessed by substance rather than the signatory's title. An employee who merely confirms a mandatory system refusal does not necessarily conduct an independent assessment. Conversely, automated searching followed by genuine substantive consideration does not make the entire decision solely automated. A dispute therefore requires facts about the process, rather than a general claim that a bank uses algorithms and consequently acts unlawfully.

17. Judicial assessment: the significance of PrivatBank

In its judgment of 2 March 2023 in Case C-78/21, PrivatBank and Others, the Court of Justice examined an administrative measure restricting certain bank relationships with persons lacking a connection to the relevant Member State where account turnover exceeded a specified threshold. The Court classified the measure as a restriction on the freedom to provide services and the movement of capital. Its permissibility depended on justification by a legitimate objective, suitability, necessity and the absence of excessive impairment of protected interests. [13]

The case does not establish a special PEP rule or automatically resolve every customer's dispute with a bank. Its significance here lies in the structure of review. Preventing money laundering may justify a serious restriction, but invoking that objective does not complete the assessment. It remains necessary to examine how the measure achieves the objective and whether it exceeds what is necessary. Between recognising a legitimate objective and validating a particular restriction lies an independent legal question.

The context of a public authority's order is particularly important. A supervisor's requirement and a bank's own commercial decision have different authors and legal bases. A judgment on the permissible conditions of an administrative measure cannot directly establish a private institution's duty to enter into any contract. It nevertheless challenges the simplified proposition that an AML objective excludes consideration of affected rights and interests.

In a hypothetical PEP dispute, a proportionality argument must identify what is being compared. Which risk is being prevented? Why would a less restrictive permissible arrangement be insufficient? Which rights and interests are affected? An abstract reference to the inconvenience of closure does not answer these questions. Nor does a general account of international corruption explain why every transaction of a particular customer must cease.

The judicial perspective thus moves discussion from reputational assessments to verifiable connections. The danger of a particular practice, the function of the chosen measure and its actual impact must be established separately. This structure does not guarantee success for the customer. It distinguishes a justified restriction from a decision whose reasoning stops at the name of the regulated category.

18. Complaints, supervision and restoration of services

Different procedures address different questions. An internal complaint allows the institution's decision to be reconsidered. A supervisory referral may reveal a breach of rules or a systemic control deficiency. Data protection proceedings concern the lawfulness of processing. Judicial or alternative dispute resolution may address the contract, losses and other remedies. Conflating these functions creates false expectations even where the complaint is entirely justified.

The Financial Ombudsman Service states that its examination of account closures considers the rules applicable at the time, the reasons, the contract, notice and consequences. The possible outcome depends on the circumstances; reopening an account is not the inevitable result. A published description of the approach does not replace a decision in an individual case or permit compensation to be determined in advance. [9]

Chronology matters for the evidence. Information about departure from office supplied after the initial decision is not the same as information ignored before that decision. If a provider corrected an error but the bank continued using an old data extract, the dispute shifts to updating the bank's own information. Each event's date helps establish what knowledge could and should have affected a particular action.

A complaint may also succeed only in part. An institution may acknowledge inadequate notice while retaining an independent lawful ground for termination. Data rectification may remove an erroneous PEP classification without resolving the source of a substantial receipt. Compensation for a breach does not always entail an obligation to maintain the relationship indefinitely. Each outcome must be connected to the particular breach recognised.

A further issue is practical access to protection while the dispute continues. During consideration of a complaint, the customer may lose the ability to meet obligations. Timing and interim consequences therefore matter alongside the final conclusion. Serious consequences do not, however, automatically confer a right to execute a legally prohibited transaction. Legal assessment must preserve the distinction between ending an unjustified delay and removing a mandatory restriction.

19. Cross-border payments and allocation of responsibility

A financial transaction may pass through several institutions, each applying its own obligations and procedures. A correspondent bank's refusal, a restriction by the sending bank and a receiving bank's decision may appear as a single failed transaction, but are legally distinct. The customer's bank does not always have power to change another participant's decision. This explains some restrictions, but does not remove the need to describe its own role accurately.

For PEPs, there is a risk that a decision propagates through the chain. One participant flags a customer for closer scrutiny; another treats the refusal itself as a further indicator of danger; a third uses that indicator when assessing a new relationship. This is an analytically possible mechanism, but establishing it in a particular case requires documents. An unsuccessful transfer does not prove the existence of a shared interbank blacklist or establish that all participants held the same information.

Transaction assessment must distinguish technical, legal and compliance reasons. Unavailability of a currency, inability to route a payment and a mandatory sanctions prohibition cannot be resolved by the same arguments. Even a favourable PEP-risk assessment does not create technical infrastructure for every destination. Conversely, the technical availability of a route does not mean that the transaction is permissible for every participant.

Moving to another financial intermediary does not remove the duty to disclose information accurately. Changing the form of ownership or concealing the actual recipient is not a way to resolve a legal dispute about excessive due diligence. A lawful alternative requires transparency and compliance with applicable restrictions. What matters for financial inclusion analysis is the existence of permissible options, rather than the ability to complete a payment at any cost.

Responsibility for consequences also requires differentiation. The relevant questions are who made the disputed decision, which duty applied to them and which action caused the particular loss. A general reference to the international banking system does not identify the proper respondent. A distributed process makes proof more difficult, but does not turn all participants into a single entity acting for a common reason.

20. PEP status, sanctions and criminal proceedings

PEP classification, sanctions status and information about criminal proceedings belong to different legal regimes. A public function triggers special due diligence; a sanctions rule may prohibit particular transactions; criminal procedural information describes a person's status in particular proceedings. These elements may coexist, but do not replace one another. Removing one factor does not automatically eliminate the others.

For example, absence from an applicable sanctions list does not establish the source of funds. Departure from public office does not cancel an existing prohibition on dealing with assets. A favourable decision on a particular procedural issue does not necessarily establish the facts of every commercial transaction. Conversely, an allegation does not turn every financial transaction into proven money laundering.

Criminal materials must be assessed by subject matter, procedural stage and source. A report that an investigation has begun differs from a final judgment; an international request differs from a finding of guilt. A financial institution may consider relevant information within the applicable framework, but must represent its meaning accurately. A record that collapses all procedural statuses into a category of proven crime distorts the underlying data.

For people who have left the country where they formerly exercised public functions, the circumstances may include a dispute over politically motivated prosecution. That assertion alone does not require a bank to disregard financial circumstances. Documents concerning the nature and outcome of the relevant procedures may nevertheless matter when assessing the reliability of adverse information. Their significance depends on the particular finding: establishing a risk of persecution is not equivalent to examining every transaction, while a banking assessment must not purport to be a judicial finding of guilt.

Circular reasoning is particularly dangerous here. A publication leads to a bank refusal; the refusal is reported as confirmation of a questionable reputation; the new publication then becomes an additional reason for refusal. Breaking that analytical circle requires identification of the original facts and independent corroboration. Several adverse consequences do not themselves mean that several independent pieces of evidence support them.

21. The cost of checks and hidden barriers to access

Financial exclusion can occur without an express refusal. Indefinite waits for approval, repeated requests and the absence of an intelligible route to completing due diligence can make a product practically inaccessible. Duration alone nevertheless does not prove a breach: a complex ownership structure or foreign documents may genuinely require time. What matters is the connection between the duration and a specific unresolved issue.

The burden is unevenly distributed. The bank bears the cost of analysis and the risk of non-compliance; the customer bears the cost of gathering documents, translations and inability to transact. Passing some costs to the customer may be reflected in the contract or service price, but does not resolve whether a request is justified. The expense of a procedure and its legal necessity require independent explanation.

Analytically, incentives present a problem. Institutions can measure the number of checks and documents more easily than the quality of uncertainties resolved. This can encourage additional formal activity without improving understanding of risk. The possible mechanism is not a claim about all banks. It can be tested only by examining whether relevant information changes decisions and whether requests end once their subject has been established.

Process proportionality includes intelligible communication. A request that does not identify the required document or period creates a risk of perpetual non-compliance. The customer supplies information without knowing what uncertainty it is meant to resolve. Where the bank can identify a specific gap without breaching confidentiality, the quality of the reply may improve substantially. Transparency here directly supports effective controls, rather than merely customer convenience.

Finally, the severity of a restriction depends on the account's function. A delay may affect someone receiving their sole income and paying essential expenses differently from the holder of an additional investment product. This does not displace AML requirements, but matters when assessing how they may permissibly be fulfilled. An identical internal procedure does not necessarily achieve the same proportionality across different personal and business circumstances.

22. What the data can and cannot establish

The number of account closures does not automatically establish the prevalence of unwarranted de-risking. An aggregate may combine customers ceasing activity, breaches of contractual terms, fraud, sanctions restrictions and AML-risk decisions. Without a consistent classification of reasons and a defined study population, comparisons between institutions or countries become unreliable. A single indicator may describe different phenomena.

Separate PEP analysis requires further distinctions: serving and former officeholders, domestic and foreign PEPs, family members and close associates, and consumer and corporate relationships. Even that detail does not resolve lawfulness. Assessment requires knowledge of the documents available, the applicable duties and why the chosen measure was considered necessary. Public statistics rarely contain all of these elements together.

Complaint numbers reflect not only problems but also procedural accessibility, customer awareness and the cost of seeking redress. Few complaints may indicate satisfactory service or a mechanism perceived as practically useless. Many may indicate breaches or a well-known, accessible redress channel. The indicator therefore needs context and cannot be interpreted unequivocally without additional data.

Similar limitations apply to upheld complaints. A decision may correct only notice or an administrative error without finding termination substantively unlawful. Combining all such outcomes as customer victories overstates the strength of protection. Counting only reopened accounts may understate the significance of data rectification and compensation for proven loss.

This report therefore offers legal and analytical conclusions rather than a quantitative market assessment. It identifies the distinctions necessary for meaningful statistics and the information missing for universal conclusions. The absence of a single indicator does not make the issue insignificant. It means that the severity of individual consequences and the prevalence of the problem must be demonstrated in different ways, without substituting one for the other.

23. Three situations testing the limits of the arguments

The first hypothetical situation concerns a former foreign deputy minister refused services on the basis of a current office they left several years earlier. A document confirming departure raises a data-accuracy issue, but does not complete the analysis. Correction of the date, lawful retention of historical information and independent grounds for continued enhanced checks must be separated. If the bank subsequently relies on the unexplained origin of an asset, that argument requires its own assessment rather than automatic treatment as a repetition of the earlier error.

In the second situation, the daughter of a serving domestic PEP in the United Kingdom seeks ordinary services and receives the most intensive level of scrutiny solely because of kinship. The relevant questions concern Regulation 35(3A), additional risk factors and the connection between requested information and the particular relationship. The absence of her own public function does not remove every special measure applicable to a family member, but kinship alone does not explain departure from the less intensive approach prescribed by the relevant regime.

In the third situation, a company with a PEP beneficial owner refuses to disclose the actual owner of an intermediate structure and demands an account on non-discrimination grounds. That argument does not resolve mandatory due diligence. If a necessary fact genuinely cannot be established, absence of a proven crime does not create a duty to provide services. The bank must nevertheless distinguish failure to supply material information from absence of a document in its preferred format where reliable information has already been provided through a permissible route.

The examples distinguish three errors: an incorrect fact, an inappropriate intensity of controls and a customer's mistaken understanding of the right to a service. Each requires a different response. Correcting a record does not explain funds; proportionality does not remove the duty to identify the beneficial owner; mandatory due diligence does not justify knowingly outdated information.

The comparison also demonstrates the limits of universal promises. It cannot be asserted in advance that every PEP restriction can be removed with one certificate, a regulatory complaint or departure from office. The legally meaningful outcome depends on which part of the basis was wrong and which independent grounds remain. Professional assessment is stronger when it identifies that boundary precisely, rather than promising identical outcomes for different relationships.

24. Overall assessment and the transition to the 2027 framework

As at September 2026, the legal problem of PEP de-risking lies not in the absence of control obligations, but in the possible substitution of categorical exclusion for controls. The international standard, UK rules and the European approach to financial inclusion require status to be distinguished from individual circumstances. The specific extent of a customer's rights nevertheless remains dependent on the product, jurisdiction, contract and practical ability to meet mandatory requirements.

Regulation (EU) 2024/1624 sets the next stage of harmonisation. Article 90 establishes 10 July 2027 as the general application date, with a separate later date for specified categories of entities. In September 2026, it is an adopted future regime that may inform process preparation, but does not replace current grounds for decisions. The prospect of greater uniformity does not remove the need to examine national law during the transition. [14]

Regulatory harmonisation does not itself remove information errors. A common PEP criterion does not guarantee correct comparison of offices, updated departure dates or identification of the real connection to a company. Equally, a more detailed duty to explain does not ensure substantive reconsideration if corrected information never reaches the decision-maker. Effective protection depends on connecting the rule with the actual information-handling process.

Risk management and financial inclusion are not mutually exclusive objectives. Their conflict is most acute where institutions cannot distinguish customers within a category. More accurate classification allows additional measures to focus on genuinely material circumstances. It does not require weaker controls where opacity is established or turn basic financial infrastructure into an exemption from the law.

A legally defensible decision depends on a coherent sequence: a reliable fact, an applicable rule, individual assessment, a proportionate measure and accessible review. A break at any stage can make a restriction erroneous or practically unchallengeable. Preserving the entire sequence makes it possible both to protect the financial system against abuse and to avoid turning public service or family connections into indefinite grounds for financial exclusion.

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