

The complaint

Mr B complains about Skrill Limited's decision to review and subsequently close his account. Mr B is also unhappy with Skrill's actions when returning money left in the account to its original source.

What happened

Mr B held an account with Skrill. In February 2020, Skrill carried out a review on Mr B's account and asked Mr B for documentation relating to the account and Mr B's identity. Mr B responded to Skrill with the documentation they asked for – but Skrill continued to ask for specific information. Skrill say the information Mr B supplied didn't satisfy their enquiries because he wasn't able to supply a copy of a payment card which was used to top up money into his Skrill account.

In March 2020, Skrill reversed four payments which had been paid into Mr B's account. They didn't ask Mr B for any evidence relating to these payments and didn't inform him of their decision to return the money to the original source.

In April 2020, Skrill reactivated Mr B's account. At this point, there was around £120 left in the account and Mr B withdrew it successfully.

In May 2020, Skrill made the decision to deactivate Mr B's account permanently. They said they shouldn't have reopened the account in April 2020 as their enquiries relating to the account review weren't satisfied based on the information Mr B provided.

Mr B wanted access to the money which Skrill returned to source – around £670. Skrill referred Mr B to the terms and conditions of the account which explained that payments can be reversed. Skrill didn't explain to Mr B why they made the decision to return the money. Mr B remained unhappy and brought the complaint to our service.

Our investigator reviewed things and didn't think Skrill had acted fairly. In summary, he thought based on the evidence he'd received Mr B was entitled to the money Skrill had returned to source. He explained that Mr B had provided evidence to show he'd made genuine bitcoin purchases and therefore was entitled to the money. Our investigator also didn't think Skrill should have closed Mr B's account immediately – he thought a notice period of around two months would have been more appropriate. Therefore, he asked Skrill to repay Mr B the money they returned to source – including interest. And pay Mr B £250 compensation.

Skrill didn't agree. They also raised that as they'd now become aware Mr B was using his Skrill account for the sale of cryptocurrency, they would have had another reason to reverse the transactions. Skrill confirmed the terms of the account don't allow customers to use their accounts for currency exchanges.

As an agreement couldn't be reached, the complaint has been passed to me to review.

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.

Were Skrill entitled to review Mr B's account?

Skrill are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They're also required to carry out ongoing monitoring of new and existing relationships. That sometimes means they need to restrict customer's accounts – either in full or partially while they carry out their review. Having looked at what's happened, I'm satisfied Skrill was complying with their legal and regulatory obligations when they reviewed Mr B's account in February 2020. So, I can't fairly say they've done anything wrong.

Should Skrill have returned the money in Mr B's account to source?

While Skrill are entitled to carry out a review, we'd expect them to do so in a timely manner and without undue delays. Skrill initially blocked Mr B's account on 28 February 2020. I haven't seen any evidence to show the actions Skrill took during the review, but I'm satisfied they asked Mr B for documentation relating to his identity and bank account which was linked to his Skrill account. When financial institutions carry out reviews, it's common practice across the banking industry that the review will require additional information from the account holder. Often, the information required is related to the consumer's identity, proof of entitlement to recent payments or more details on what the account is used for. Based on the evidence I've seen, and alongside Mr B's testimony, Skrill didn't ask Mr B any questions relating to recent payments as part of their review.

In March 2020, while Skrill's review was still ongoing, they decided to return four payments back to the original source. Skrill has provided evidence in confidence to our service, relating to one payment. However, Skrill returned four payments back to source. I think it would have been helpful if Skrill asked Mr B for proof of entitlement to these funds as part of their review. They didn't – and therefore, I've had to consider whether it was fair of them to return the money to source. While Mr B isn't aware of the reasons why Skrill took the actions they did, he provided documentation to our service to show that the money paid into his account rightfully belonged to him. Had Skrill asked Mr B for this information, I think it's reasonable to conclude that Mr B would have been able to supply it. And, on the balance of probabilities, based on the information Mr B has provided to our service, I think it's more likely than not, Skrill could have given the money back to Mr B directly, rather than returning it to the original sender.

I've carefully considered Skrill's evidence and arguments on their reasons why they returned the money to source. However, they've only provided evidence relating to one payment – and with the absence of any thorough investigation relating to the four payments in question, I'm not satisfied their actions were fair. Ultimately, Skrill should be satisfied that Mr B wasn't entitled to the money to return it back to the original sender. And as they didn't ask Mr B for any proof of entitlement, I don't find any plausible explanation as to how they satisfied themselves that Mr B wasn't entitled to it.

Skrill also raised after our investigator's view, that the sale of cryptocurrency would allow them to return the money to source – as this is forbidden. But I don't think this is entirely relevant as Skrill wasn't aware of what the money was relating to due to the lack of information they asked for as part of their review.

It therefore follows that I think Skrill should refund Mr B the full balance which was returned to source in March 2020. I also don't think it's reasonable that Mr B has been without his money for a long period of time. So, like our investigator, I think 8% simple interest should be paid on this amount. As I've found Skrill were entitled to review Mr B's account, I think the appropriate date to pay the interest from is when they first decided to return the money to source, up to the date they refund it to Mr B.

The closure of the account

In May 2020, Skrill made the decision to permanently deactivate Mr B's account. They didn't give Mr B notice and said they made their decision in line with the terms and conditions of the account. Our investigator thought they should have given Mr B notice. Sometimes, Skrill choose to end their relationship with customers. This can be due to a number of reasons, and Skrill isn't obliged to give a reason to the customer. Just the same as if Mr B decided to stop banking with Skrill, he wouldn't have to explain why. Skrill can only close accounts in certain circumstances and if it is in the terms and conditions of the account. Skrill have relied on the terms and conditions when closing Mr B's account.

Based on the specific circumstances of this complaint, and the reasons for closure provided by Skrill, I agree that a notice period would have been more appropriate. I appreciate Skrill have since learned about the use of cryptocurrency and this could have been a legitimate reason to close the account without notice. However, I have to base my decision on the reasons Skrill used at the time. Due to the lack of investigation as part of their review, Skrill wasn't aware that Mr B was using his account for the sale of cryptocurrency – they only learned about that following our service's involvement and the investigations we carried out. So I can't fairly say they were entitled to close his account immediately for this reason.

Therefore, based on the evidence I've received, I think Skrill should have given Mr B two months' notice to close his account.

Putting things right

Overall, I find Skrill's decision to review Mr B's account fair. But I don't think they did enough to satisfy themselves that Mr B wasn't entitled to the money in the account – so I think they should refund him as he is now at a loss. And I think adding interest to the amount they refund him fairly compensates Mr B for the loss of use of his money. I also consider Skrill should have given Mr B two months' notice when closing his account. I think Skrill should pay compensation for the trouble and upset this overall situation has caused Mr B and consider an amount of £250 to be appropriate in the circumstances.

My final decision

My final decision is that I uphold Mr B's complaint. Skrill Limited should do the following:

- Refund Mr B the amount of money returned to source - £669.
- Calculate interest at 8% simple per year on the amount they refund Mr B. They should calculate this from the date they refunded the money to source to the date they refund Mr B.
- HM Revenue & Customs requires Skrill Limited to withhold income tax from the above-mentioned interest. Skrill should give Mr B a certificate showing how much is taken off if Mr B asks for one.
- Pay Mr B £250 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 14 April 2022.

Hayley West
Ombudsman