

## **The complaint**

Miss R complained that PayrNet Limited reviewed, closed, and withheld access to the funds in an electronic money account. The account was operated by an agent of PayrNet, but to keep things simple I'll refer to PayrNet in this decision.

## **What happened**

Miss R had an account with PayrNet which opened in 2017. In March 2021, Miss R received two payments into her account, of £160 and £5. But a few days later PayrNet received a report from the sender's bank that the payment was part of a scam. The report said the sender had tried to buy clothing online but hadn't received the goods and couldn't now contact the sender. PayrNet restricted the account. During this period, Miss R was sent a number of payments from an online marketplace. PayrNet says these payments were declined – Miss R says the online marketplace has told her these were successfully sent to her account. In May 2021, PayrNet removed the balance from the account with a view to returning the funds to its senders and in July 2021 told Miss R it had decided to close the account.

While all this was happening, Miss R complained to PayrNet and referred her complaint to us.

I issued my provisional findings on the complaint on 12 October 2022. I said that I'd considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint. I said that financial businesses like PayrNet are subject to legal and regulatory requirements to combat fraud and financial crime – and that the terms and conditions that applied to Miss R's account also allowed PayrNet to close, suspend or restrict access to Miss R's account where it suspected unauthorised or fraudulent use of her account. It also allowed PayrNet to restrict use of the account and card to request information about the source of funds in the account. And where PayrNet does this, it doesn't need to give reasons.

I said that in Miss R's case PayrNet had received a report from a bank that two of the payments into her account were fraudulent. These were payments for £5 and £160, which the report said were made to pay for goods online which the sender hadn't received. So I didn't think it was unfair for PayrNet to restrict the account while it looked into things.

That said, I thought PayrNet or its agent should have carried out some investigation into the payment before it decided what to do next. I noted that the report was made just four days after the disputed payment – which, given the content of the report, might have suggested a dispute between a buyer and seller. Then Miss R emailed PayrNet to explain the payment was from a friend of hers – she said the payer wanted to know what had happened to the funds and provided a code from the payer's bank to help locate it.

I also saw that PayrNet's agent appeared to have noticed the fraud report was unusual – Miss R had received further payments from the same payer which hadn't been disputed. According to the statements of account, Miss R had received £165 in March, £65 in February, £65 in January, £285 in December and £90 in November. This accounted for

around half the balance of Miss R's account. Yet the payer had only disputed the final two payments.

With all this in mind, I thought PayrNet needed to do more here before it could safely conclude that Miss R wasn't entitled to the funds.

I considered what would most likely have happened had PayrNet carried out an adequate investigation. Miss R had told us that the payer was a friend who sometimes helps her out when she needs money. When asked, Miss R has been able to provide emails and bank statements from the payer – and so, contrary to the fraud report from the third party bank, does appear to have been in contact with the payer. So I concluded that if PayrNet had carried out an investigation, Miss R would have been able to provide evidence supporting her version of events, and PayrNet would reasonably have known the fraud report was mistaken.

Turning to the closure of the account, the terms allowed PayrNet to close the account at any time, but unless there were exceptional circumstances it would give Miss R 60 days' notice. Given what I'd said about the fraud report, I didn't think exceptional circumstances applied here. I wasn't satisfied Miss R was involved in any fraud. Given PayrNet blocked the account, Miss R lost use of the account immediately. And I could see this caused inconvenience.

For these reasons, I didn't think PayrNet had acted reasonably in closing the account or returning the funds within it to source.

I also found that PayrNet had taken a long time to complete its review. It received the report in March 2021. It removed funds from the account in May 2021. It didn't close the account until July 2021 – and said it had only returned the funds to the payer in August 2022. Much of this delay appears to have been avoidable. As a result Miss R has been kept out of the funds and had the inconvenience of having to chase the payer to find out what had happened to them. I also noted that PayrNet was telling us Miss R needed to approach the recipients of the funds to find out what had happened to them at a time it hadn't in fact returned them.

Finally, I considered the declined payments. Miss R said that payments from an online marketplace had gone missing. PayrNet says that after the account was suspended it declined these transactions. But I had seen emails from the online marketplace saying they were successful – and that Miss R should contact PayrNet to find out what had happened.

For all these reasons I said the complaint should be upheld. To put things right I thought PayrNet should pay Miss R the £780 it withdrew from her account that she hasn't already got back, plus the £140.90 in missing payments from the online marketplace. I thought it should pay simple interest from 23 March 2021 on what PayrNet withdrew until Miss R gets the funds back. And I thought PayrNet should pay Miss R £200 for the distress and inconvenience it caused. I acknowledged that PayrNet said it had already sent back some of these funds. But Miss R hadn't been able to get this back from the payees, who, in the case of her friend, said she hadn't received it. But while I accepted there was a risk Miss R might ultimately get the money back twice, I'd already concluded it wasn't fair for PayrNet to have removed the money from Miss R's account, and I didn't think it would be fair for Miss R to lose out because of something PayrNet did.

I said I'd consider any further comments in response to my provisional decision.

PayrNet doesn't think my provisional findings are reasonable. They say my recommendation goes against their policies – and it is their understanding that the ombudsman service cannot

dictate or make changes to how they operate as a business. It says that after it received the fraud notification it had a duty to act on the report it received – and that its current relationship with its payment provider means it doesn't have the facilities to allow a customer to defend the claim it receives.

It says that it has a policy to return all the funds in the account to source, and that this is in line with its legal and regulatory obligations. It is satisfied the funds have been returned to source in line with the terms and conditions that apply to the account.

It says it has also been in touch with the online marketplace about the missing payments. It says that it has shown the incoming transfers were declined due to the block on her account – which shows they never received the funds. It says this wasn't accounted for in the decision. It has also sent us a record it says shows it made a payment of £670 to the payer. As this amount has already been returned, it doesn't think it should pay this again. It doesn't see how that could be fair. It does, however, agree to pay £200 compensation.

Miss R has contacted us to say she agreed with the proposed resolution to her complaint. She's also sent us further correspondence from the online marketplace. It says that all the missing payments were disbursed to Miss R's account with PayrNet, and it has no record that these were returned.

I've therefore looked at the complaint afresh.

### **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've carefully considered the points raised by both Miss R and PayrNet. Having done so, I reach the same conclusions for the same reasons.

I acknowledge PayrNet's comments in response to my provisional findings. PayrNet says it cannot agree with my findings as it goes against its policies – and it says that I am unable to dictate or make changes to how it operates as a business.

I'm satisfied that I need to decide this complaint based on what's fair and reasonable in the circumstances of the complaint. In doing so I must take into account relevant law and regulations; regulators' rules, guidance and standards; codes of practice; and what I consider to have been good industry practice at the relevant time. As such, the key question is whether, in the individual circumstances of Miss R's complaint, PayrNet has treated Miss R fairly. I make no findings about PayrNet's processes and practices more generally – that would be a matter for the regulator.

PayrNet had received a fraud report from a third party bank. But for the reasons I've already explained, this report was unusual. PayrNet noted that it was unusual at the time. One of its staff noted that there were further payments from the same payer to the account – which hadn't been reported. And Miss R contacted PayrNet with details from the sender's bank – suggesting she was still in touch with the payer.

While I note PayrNet's comments about returning funds to source, I see that it has since then in fact returned some of the funds to Miss R. And while I accept that the terms and conditions allowed PayrNet to return funds to source, the same term also refers to returning any outstanding balance to the account holder via transfer to a UK bank account.

Based on everything I've seen, I'm not persuaded it was fair to return the funds to source in the individual circumstances of Miss R's complaint.

Turning to the payments that PayrNet says it declined and returned to the online marketplace, I note that the online marketplace has now written to Miss R confirming it sent the funds to her account and that it hasn't received them back. I acknowledge what PayrNet has sent me about that – it has sent me screenshots showing these payments were declined. But I'm not persuaded that this means I can conclude that these payments were necessarily returned – and I'm mindful that PayrNet likewise claimed that other payments had been returned to source when it hadn't yet done so.

I also acknowledge what PayrNet says about returning the remaining funds in the account to the payer. But for the reasons above, and as I explained in my provisional decision, I'm not persuaded it was reasonable for PayrNet to return the funds to source – and I don't think it would be fair for Miss R to lose out because of something PayrNet did wrong.

For these reasons, I reach the same conclusions for the same reasons.

### **Putting things right**

For the reasons above, PayrNet should:

- Pay Miss R the £780 it withdrew from her account that she hasn't already got back
- Pay Miss R the £140.90 that went missing from the online marketplace
- Pay Miss R simple interest on these amounts (the rate is 8%) from 23 March 2021 until Miss R gets the funds back.
- Pay Miss R £200 for the distress and inconvenience this caused.

### **My final decision**

For the reasons above, I uphold this complaint. PayrNet Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss R to accept or reject my decision before 6 January 2023.

Rebecca Hardman  
**Ombudsman**