

The complaint

Mr R complains that Wirecard Card Solutions Limited blocked his U Account, and he couldn't access the funds in the account. The funds were later sent back to the original sender.

The U Account was a pre-paid payment card which at the time of Mr R's complaint was administered by Wirecard Card Solutions Ltd.

What happened

Mr R had an electronic money account with U Account. He made regular use of the account, including payments to and from gambling merchants.

In May 2020 U Account blocked access to the account while it carried out a review. As part of this review U Account asked Mr R to provide proof of his identity and address; as well as answer some questions about the source of his funds, and his usage of the account. During this time Mr R couldn't make or receive any payments.

Mr R provided some of the requested information, but this wasn't enough to satisfy U Account that the block should be removed. Mr R contacted U Account repeatedly to find out what was happening with his account, saying this was his only account and he needed access to the funds. After a week he told U Account he wished to close the account and have the funds returned to him.

However, after completing their review, U Account took the decision to return the funds to source, which was a gambling merchant. They sent two cheques – one for £735.08 and one for £404.09. Mr R complained to U Account about this, and the difficulty he'd had in arranging a Subject Access Request (DSAR).

U Account responded to say that they were allowed to suspend access to an account under their terms, and they did not have to provide any information as to why they were carrying out a review. They had no timescale on when they expected to complete their review. It was accepted Mr R had requested his account be closed, but they couldn't do this while the account was under review. They explained that any payments in to the account would be returned to source.

Unhappy with this answer Mr R referred the complaint to our service. One of our investigators looked in to what happened, and concluded that U Account were entitled to review accounts in line with their legal and regulatory obligations, and didn't have to provide any further details as to why.

However they felt U Account hadn't been helpful in not providing Mr R a final statement to help recover the funds returned to source. They felt that returning the funds to source wasn't the most reasonable course of action. They upheld the complaint and asked U Account to return the funds in the account when it was restricted to Mr R, along with 8% statutory interest and £150 compensation.

Mr R accepted this, but U Account did not. Because no agreement could be reached, the complaint has been passed to me to decide. I issued a provisional decision which said:

The investigator has correctly highlighted that U Account have important legal and regulatory obligations to meet when providing accounts to customers. And to meet these obligations they're required to monitor the accounts of both new and existing consumers. This can also mean that sometimes they have to review accounts, and this may entail restricting their consumer's access to the account.

Having reviewed the information U Account relied upon, I'm satisfied that it was reasonable of them to carry out a review of Mr R's account and ask him for further information. I'm also satisfied that it was reasonable to restrict the use of the account while the review was being carried out.

I can see U Account let Mr R know they had restricted the account, and what further information they were looking for from him, on the day the restriction was applied. U Account aren't under any obligation to let a consumer know why an account is being reviewed, or how long it will take. But U Account should keep the consumer updated and not create any unnecessary delays.

I appreciate that this would be frustrating for Mr R, but I think U Account were clear on what was happening and that he wouldn't be able to use the account in the interim. After a week Mr R decided to ask U Account to close the account, so I'm satisfied at this point he no longer wished to continue using the service. But as they were reviewing the account under their legal and regulatory obligations, I wouldn't expect U Account to stop the review.

U Account finished their review within 20 days, and let Mr R know they would be returning the funds to source. I consider this to be a reasonable timeframe for an investigation. From the chat thread I can see U Account were responsive to questions and evidence sent in by Mr R. So, while I accept it was inconvenient for Mr R to have his account blocked for this period, I can't say U Account did anything wrong by this, or treated Mr R unfairly.

U Account have explained they returned the funds in the account to source, in the form of two cheques sent to the gambling merchant. I can also see they informed Mr R of their intention to do this at the time.

Reviewing the statements, I can see that the entire balance of the account at the time it was closed was made up of payments in from this particular gambling merchant. Two payments – one of £300 and £400 – were received the day the block was applied, and U Account wrote to Mr R to explain they'd treat them as failed and return them to source. In the circumstances this is a reasonable step to take. Mr R questioned why these payments were allowed in to the account – but ultimately I don't see that Mr R is in a different position whether the payments were accepted in error and returned later, or rejected immediately. It's money U Account were always going to return to the merchant.

The remaining balance that was returned appears not to be made up of regular wages, or benefits, but receipts from the gambling merchant. I'm satisfied the money was returned to the correct source, although this was likely sent there from Mr R's U Account in the first place. There are a lot of transactions to and from this particular merchant in the period leading up to the account being blocked, and the ultimate source of the funds is difficult to see. In the circumstances of this complaint I'm not satisfied Mr R has demonstrated his entitlement to any remaining funds, and I consider it was reasonable for U Account to return these funds to the gambling merchant.

Mr R has asked about a later payment for £800 that he believes should be in the account. From the statements available, I can't see this ever credited the account. And I can see U Account sent a letter explaining this had been reversed and returned to the sender. In any case I understand the date of this payment was considerably after Mr R knew about the account block, and that U Account would return any incoming payments. I think it's more likely than not it was returned to the person who made it, which is what I'd expect to happen.

In this case U Account weren't able to verify Mr R's entitlement to the funds. I agree that returning the funds was the right action in the circumstances. So, I can't say U Account has treated Mr R unfairly in doing so. However, despite being asked by the investigator U Account hasn't shown exactly where the funds were sent.

I know Mr R wants more information about where the money went, such as account details, so that he can trace the money. But if the payments were legitimate, and he has an ongoing relationship with this merchant, it suggests he already knows where the money has gone. That being said, I agree with the investigator, that it would be helpful if U Account provided Mr R with more information about where exactly it returned the money back to in order to assist Mr R with recovering his funds.

They don't appear to have sent him a closing statement, or any information about where they sent the cheques, so he could then follow this up with the merchant. I can see he enquired about this several times, and I can appreciate this would be upsetting for him. Because of this, I think U Account should pay Mr R £100 compensation to recognise the trouble and upset this caused him.

I think it's important that U Account provide Mr R with the information about the cheques and where they were sent so he can follow this up with the merchant if he chooses to do so.

U Account didn't respond to the provisional decision.

Mr R didn't accept the provisional decision. He said the crux of his complaint was around the return of funds in his account when it was closed. He provided further correspondence with the gambling merchant, which suggested they couldn't cash the cheques so returned them unpaid. He said his gambling account with the merchant was closed around the same time. He asked for further information about the payment of £800 inbound to his account.

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.

Since the provisional decision I've considered the evidence afresh and reviewed the additional information provided by Mr R, and I thank him for providing this.

I'm still minded that it was reasonable for U Account to restrict the account while they carried out a review, and this was in line with the terms of their account. And I'm satisfied they let Mr R know in good time that the account would be restricted and were responsive to Mr R in the chat.

I think the timescale for the investigation was a reasonable one and the ultimate decision to close the account was in line with the terms of the U Account. So, I accept Mr R was inconvenienced by the block and eventually closure, but I don't think U Account were unfair to him in this regard.

Turning to the funds in the account, Mr R has provided some further information from the merchant which suggests they returned the cheques. Again, I thank him for this – but it doesn't change the underlying finding that I'm not satisfied Mr R has demonstrated he was entitled to any funds that were remaining in the account. And nothing he's provided since the provisional decision has changed that.

On that basis it would now be up to U Account to liaise with the merchant around any return of funds – I wouldn't suggest U Account release them to Mr R. However, they should let Mr R know when the funds have been returned, and how.

The payment of £800 was made some time after Mr R would have been aware the account was blocked. It wouldn't be reasonable for Mr R to expect to be able to receive these funds. I've seen no evidence to suggest U Account are retaining these funds, and in any case the loss would be to the sender, not Mr R. So, I'm not asking them to do anything further.

However, I am still minded that U Account haven't been helpful to Mr R. He did repeatedly have to chase up the information with U Account and hasn't been provided with straight answers. So, while I feel the closing of the account was reasonable, I can see how U Account's handling of it would have caused him distress. With that in mind I think it's right they pay him £100 in compensation.

My final decision

My final decision is that Wirecard Card Solutions Ltd should pay Mr R £100, and let him know when they have returned the funds to merchant.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 24 May 2022.

Thom Bennett
Ombudsman