

The complaint

Mr Z complains PrePay Technologies Limited, trading as Prepay Solutions (“PPS”) blocked his account and returned the funds held in it to the sender.

What happened

In March 2021, PPS restricted Mr Z’s account after it received an indemnity from a third-party bank as its customer had raised a fraud claim.

PPS asked Mr Z to provide it information about the funds he had received from the individual who had made the claim against him. Mr Z gave PPS some information which he says shows the money was from the sale of a car.

PPS did not find this satisfactory and asked Mr Z for official DVLA evidence which showed change of ownership of the car. As Mr Z did not provide this, PPS decided to return the remaining funds to the senders account in line with the indemnity raised and closed the account.

Unhappy about this Mr Z complained. PPS did not uphold the complaint but offered Mr Z £20 compensation for the customer service issues he faced. Mr Z then referred his complaint to this service.

One of our Investigator’s looked into Mr Z’s complaint. In summary they found:

- Mr Z didn’t provide DVLA proof he’d sold a car. But the other information he’d sent, including screenshots of message conversations between him and the seller, showed the buyer was in possession of the car at the time he made the fraud claim
- The messages showed the buyer wanted funds for repairs to the car, and when he didn’t get this from Mr Z, he made a fraud claim to his bank. This shows the buyer had possession of the car
- This contrasts with the fraud claim made by the buyer. It appears to be a disagreement about repairs once the car had been sold
- PPS shouldn’t have just returned the remaining funds in Mr Z’s account because it received an indemnity. It should have presented Mr Z’s evidence to the third-party bank and challenged its customer’s account of events
- PPS’ actions have left Mr Z without his funds and it hasn’t acted fairly here

PPS didn’t agree and said it dealt with the fraudulent funds’ indemnity claim in line with its own procedures. And it had given Mr Z an opportunity to provide evidence this was a legitimate transaction - but what he gave wasn’t enough.

In response, our Investigator said:

- PPS was entitled to carry out a review of Mr Z’s account in line with its legal and

regulatory obligations – especially as it had received a claim from a third-party bank

- But PPS hasn't acted fairly by returning the funds back to the remitting account. PPS should have gone further in its investigations by presenting information from Mr Z about selling his car instead of sending the funds back
- An indemnity doesn't compel the receiving bank to return funds if it establishes after carrying out an investigation its customer is entitled to the funds
- It's not for this service to contact the third-party bank to compensate Mr Z. PPS is the respondent firm for this complaint

As PPS did not agree, the complaint has now been passed to me – an Ombudsman – to decide.

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.

Having done that, I've decided to uphold this complaint. I'll explain why.

Regulated firms in the UK, like PPS, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means banks need to restrict, or in some cases go as far as closing, customers' accounts.

Having considered PPS' reasons for carrying out a review and restricting Mr Z's account, I'm satisfied it acted fairly by doing this. I would expect a regulated firm to review its customer's account in the event it received a fraudulent claim from a third-party bank.

Whilst conducting its review, PPS asked Mr Z to send it evidence of his entitlement to the funds. Mr Z provided screenshots which show a price was agreed to sell his car with an individual. The screenshots of the message exchange also show the buyer was more than likely in possession of the car given he wanted money for repairs that had come to light after the sale.

Mr Z appears to not agree saying he has a valid MOT in place which hasn't expired. The buyer then says he will raise a fraud claim if Mr Z doesn't pay for the repair.

I'm persuaded this information, even in the absence of the DVLA information, is enough for PPS to have challenged the third-party bank about the legitimacy of its customer's claim. To put it another way, the evidence strongly suggest Mr Z did sell his car as he asserts.

So this means I think PPS acted wrongly by returning the funds without carrying out further enquires itself.

PPS say the third-party bank should be asked to compensate Mr Z here. But any loss suffered here is down to PPS not acting fairly. So I'm satisfied it has to put things right.

PPS also argue it has followed its own process, and what is expected of it, by returning the funds once an indemnity was presented to it. But an indemnity is just a promise between the two regulated firms that the receiving bank would have protection if they chose to send the money back. It doesn't create any obligation that they have to send the money back.

Mr Z hasn't complained about PPS closing his account, so isn't something I necessarily have to consider. Having said that, it's likely PPS wouldn't have closed the account had it carried out proper investigations as outlined above. Mr Z hasn't said the account closure in of itself has caused him any further trouble and upset – but the withholding of the funds has.

Mr Z has said it caused him problems with meeting his other financial commitments. So, I will carefully consider this when making an award for compensation.

Putting things right

PPS should:

- Pay Mr Z the funds which were returned to the third-party bank
- 8% simple interest should be added to this from the date it was removed from the account up until settlement
- Pay Mr Z £75 for the distress and inconvenience it has caused

My final decision

For the reasons above, I uphold this complaint. PrePay Technologies Limited should now put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Z to accept or reject my decision before 25 October 2022.

Ketan Nagla
Ombudsman