

## **The complaint**

Mr M complains about PayrNet Limited's actions when closing his account and withholding his funds.

## **What happened**

In April 2021, PayrNet blocked Mr M's account and held the money which was in it, PayrNet asked Mr M for proof of entitlement to some of the funds in the account – Mr M provided some information but PayrNet wasn't satisfied; so it held on to the money.

Mr M also learned that in November 2020, when a different provider closed another of his accounts, it sent the money left in that account to PayrNet. PayrNet didn't credit this money to Mr M's account, despite his entitlement to it.

PayrNet returned the money left in the account to the original sources; and the money from Monzo remained unfound.

Our investigator reviewed things and was satisfied Mr M hadn't provided sufficient evidence to prove his entitlement to some money in the account – but recognised PayrNet hadn't asked Mr M for entitlement to some of the other credits it returned to source. In summary, our investigator asked PayrNet to:

- Refund two credits (£594 and £350) which had been returned to source back to Mr M as he hadn't been asked to prove any entitlement to these funds.
- Refund £2,313.51 credit which had been sent to PayrNet from another provider for Mr M.
- Pay 8% simple interest on the above funds.

As Mr M no longer has a bank account in his name, it was agreed PayrNet would return the money to Mr M's partner's bank account. However, Mr M is still to provide a copy of the bank statement where he would like the money returned.

Mr M wanted the additional money which had been returned to source refunded to him too. He explained this payment (around £3,400) was in relation to a car he had previously purchased with his business partner. Mr M didn't provide any additional evidence for this payment.

PayrNet agreed to refund the £2,313.51 credit plus 8% simple interest but said it couldn't return the other payments as the money had already been returned to source. PayrNet said it doesn't have the facilities to allow a customer to show proof of entitlement to some of the funds.

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

## **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.

### *Reviewing Mr M's account*

PayrNet are strictly regulated and must take certain actions in order to meet its legal and regulatory obligations. It is also required to carry out ongoing monitoring of new and existing relationships. That sometimes means it needs to restrict customer's accounts – either in full or partially while it carries out the review. Having looked at what's happened, I'm satisfied PayrNet was complying with its legal and regulatory obligations when it reviewed Mr M's account in April 2021. So, I can't fairly say they've done anything wrong.

### *Should PayrNet have returned the money in Mr M's account to source?*

While PayrNet are entitled to carry out a review, we'd expect it to do so in a timely manner and without undue delays. PayrNet have shared some information with our service in regard to the actions it took during the review. 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 M's testimony, PayrNet asked Mr M questions relating to some recent payments as part of its review – but not all.

PayrNet made the decision to return four payments back to the original source. I've only seen evidence to show that Mr M was questioned on one of these payments – and I think it would have been helpful if PayrNet asked Mr M for proof of entitlement to all of these funds as part of the review. It didn't – and therefore, I've had to consider whether it was fair to return the money to source.

I've carefully considered PayrNet's limited evidence and arguments on its reasons why it returned the money to source. However, it only appears one payment was in question – and with the absence of any thorough investigation relating to the other payments in question, I'm not satisfied PayrNet's actions were fair. I appreciate PayrNet said it doesn't have the facilities to allow a customer to show proof of entitlement to some of the funds, but I haven't seen any evidence to support this – especially as it appears the review was manual. Ultimately, PayrNet would have to be satisfied that Mr M wasn't entitled to the money to return it back to the original sender. And as it didn't ask Mr M for these particular proofs of entitlements, I don't find any plausible explanation as to how it satisfied itself that Mr M wasn't entitled to it.

I am satisfied one of the payments (which Mr M was questioned on), was rightfully returned to source. And that's because it asked Mr M to show his entitlement, and it wasn't satisfied with the evidence. Having considered that evidence, I'm satisfied PayrNet made a fair decision.

It therefore follows that I think PayrNet should refund Mr M the full balance of three payments which was returned to source. I also don't think it's reasonable that Mr M 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.

### *The 'missing' money*

It appears a payment of around £2,300 was sent to PayrNet from another payment provider in November 2020. This money should have been credited to Mr M's account, but it wasn't. PayrNet have now been able to locate the money and agreed to repay it to Mr M. I do

consider PayrNet should also add interest to this amount (from November 2020 when it received it) to recognise the time Mr M has been without this money.

### **Putting things right**

Overall, I find PayrNet's decision to review Mr M's account fair. But I don't think it did enough to satisfy itself that Mr M wasn't entitled to three payments in the account – so I think it should refund him as he is now at a loss. And I think adding interest to the amount it refunds him fairly compensates Mr M for the loss of use of his money. PayrNet should also refund the money which should have credited his account in November 2020.

### **My final decision**

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

- Refund Mr M three payments which were returned to source - £0.01, £594, £350.
- Calculate interest at 8% simple per year on the above amount. It should calculate this from the date it refunded the money to source up to the date it refunds Mr M.
- Refund Mr M £2,313.51.
- Calculate interest at 8% simple per year on the above amount. It should calculate this from the date PayrNet received the money (around November 2020) up to the date it refunds Mr M.
- HM Revenue & Customs requires PayrNet Limited to withhold income tax from the above-mentioned interest. PayrNet should give Mr M a certificate showing how much is taken off if Mr M asks for one.

Mr M needs to provide an up to date statement (dated in the last three months) to allow PayrNet to make the settlement. PayrNet have agreed to pay this to Mr M's partner's account as Mr M doesn't have an account in his name. If Mr M provides the statement after 2 December 2022, I'm satisfied the interest payment should be capped at 2 December 2022. If Mr M isn't able to provide an up to date statement in either his or his partner's name, I find it reasonable for PayrNet to keep the money until a valid up to date statement is provided in Mr M's name.

PayrNet must pay the compensation within 28 days of the date Mr M provides the up to date statement. If it pays later than this it must also pay interest on the compensation from the date of receipt of the statement to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 2 December 2022.

Hayley West  
**Ombudsman**