

## **The complaint**

Ms S complains about PayrNet Limited's actions when reviewing and subsequently closing her account. Ms S is particularly unhappy with how long it took to receive her funds back. She would like compensation.

Ms S held a Pockit branded account – who provided services on behalf of PayrNet – but I will refer to Pockit as PayrNet in this decision.

### **What happened**

In January 2021, PayrNet blocked Ms S's account following a transfer she made from her own external bank account. Ms S couldn't access the money in the account, and she said this caused her a lot of financial distress as she was unable to pay bills which resulted in bailiff visits and unnecessary use of her overdraft. Ms S was also going through a custody battle at the time and said this overall situation had a big impact on her.

Ms S proactively tried to contact Payrnet to find out what was happening – but they didn't keep her updated or tell her a timeframe on when she could expect her money back. Ms S brought the complaint to our service.

Our investigator looked into things. He asked PayrNet for information and evidence relating to their actions, but it wasn't forthcoming. So, while our investigator thought PayrNet were likely entitled to review the account, he hadn't seen enough to confirm Ms S was treated fairly. PayrNet also said the money had been returned to source (which would have been Ms S's account) in December 2021, but our investigator also hadn't seen any evidence that was the case. So, he asked PayrNet to:

- Return £255.63 (plus 8% statutory interest) to Ms S;
- Pay Ms S £300 compensation for the distress and inconvenience caused.

PayrNet responded with a counteroffer. They confirmed they had already returned the money to Ms S in January 2022 but agreed to pay 8% simple interest on the time it was blocked, plus £100 compensation.

Ms S didn't agree. She said PayrNet shouldn't have held on to her funds for over 12 months and feels they added to the confusion by initially telling our service the funds were returned in December 2021.

As an agreement couldn't be reached – the complaint was passed to me to decide.

I reached out to both Ms S and PayrNet to attempt to resolve things informally. Firstly, Ms S was able to confirm that she received the funds back from PayrNet on 25 January 2022. After considering the evidence and arguments, I felt the appropriate settlement would be for PayrNet to pay 8% on the funds held and pay Ms S £200 compensation so proposed the settlement to both parties.

PayrNet didn't respond. Ms S did. In summary, she said the compensation should amount to at least the amount which was being held. She said bailiffs alone cost in the region of £225, and she didn't have an alternative account to be able to comply with payment plans. Ms S

said she is now spending time dealing with linked issues due to PayrNet holding her money for a long period of time.

### **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 so, I've decided to uphold this complaint. And I'll explain why.

Firstly, I've noted that Ms S has made a number of quite detailed submissions. I don't believe it's necessary to address each and every point that Ms S has made in order to meet my statutory duty to determine her complaint. I'm required to do that with minimum formality, and so I'll address the issues that I consider to be the most important. I do stress however that I've considered everything that Ms S and PayrNet have said before reaching my decision.

The main issue to address is that PayrNet has provided us with very little evidence. We don't have evidence of:

- What factors Payrnet considered when they reviewed Ms S's account and the specific reasons on why they took the decision to close it.
- Evidence to show what actions they took during their review and why they held Ms S's money for around 12 months before returning it.

I respect that PayrNet has internal policies and processes to follow along with legal and regulatory obligations. But they are also aware of our rules.

DISP 3.5.2 states, amongst other things, that an Ombudsman can "*reach a decision on the basis of what has been supplied and take account of the failure by a complainant or a firm to provide information that an Ombudsman has requested; and....*"

Therefore, my decision is based on the evidence and information I have received.

### *The review and closure*

I've considered the fact that PayrNet are strictly regulated and must take certain actions to meet its legal and regulatory obligations. They are 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 the review. I haven't seen enough evidence to satisfy me that PayrNet was complying with their legal and regulatory obligations when they reviewed Ms S's account and held her money from January 2021 – January 2022. So, I can't fairly say they've acted appropriately.

### *Withholding the money in the account*

While PayrNet are usually entitled to carry out a review, we'd expect them to do so in a timely manner and without undue delays. PayrNet have shared limited information with our service regarding the actions they took during the review.

It would have been helpful if PayrNet communicated with Ms S more regularly and asked appropriate questions. 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. Ms S has confirmed PayrNet asked for some information, but I haven't seen enough to show me that holding the money for around 12 months was reasonable.

PayrNet made the decision to return the payment back to the original source. However, the original source was Ms S's account – so I find PayrNet's decision to withhold the money for this length of time surprising. And I consider it would have been useful if they notified Ms S on the day they returned the money.

It therefore follows that I think PayrNet should have refunded Ms S the balance of the account sooner than they did, so I don't think it's reasonable that Ms S was without her money for a long period of time. Therefore, like our investigator, I think 8% simple interest should be paid on this amount. We use 8% simple because this recognises the loss of use of the funds and it is the current statutory interest rate on judgment debts and therefore, I consider it to be the fairest in the circumstances.

### *The impact on Ms S*

I don't doubt this overall situation had a big impact on Ms S. She was clearly going through a lot of things personally and has explained the financial difficulties she was in at the time and feels PayrNet withholding this money added to those troubles. Ms S has shared details around bailiff visits and the cost of those, alongside information about using her overdraft. While I've carefully considered all of this and don't doubt Ms S had a really troublesome time, I haven't seen enough to satisfy me that PayrNet holding around £255 of Ms S's money solely resulted in these actions from external parties.

Having said that, I think PayrNet could have handled things better. I consider they could have kept Ms S updated better at times, and likely returned the money to her sooner than they did. Therefore, I consider compensation of around £200 will fairly recognise the distress caused to Ms S by spending time chasing for updates and trying to locate the whereabouts of her money, as well as the impact this had on her finances overall.

I appreciate Ms S wants more compensation – however, based on everything, I haven't seen enough to say PayrNet's actions alone caused all of Ms S's financial worries – but I do consider their actions contributed to them in some part.

### **Putting things right**

Overall, based on the evidence received, I don't think PayrNet were proactive when reviewing Ms S's account and returning her money. I also consider they caused undue delays and didn't keep Ms S as updated as they could have done. I think adding interest to the amount they refunded Ms S fairly compensates her for the loss of use of her money for a significant period of time.

I also consider £200 compensation to be appropriate in the circumstances to recognise the distress this situation caused Ms S overall.

### **My final decision**

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

- Calculate interest at 8% simple per year on the amount they withheld from Ms S - £255.63. PayrNet should calculate this from the date they blocked the account up to the date they refunded Ms S.
- HM Revenue & Customs requires PayrNet Limited to withhold income tax from the above-mentioned interest. PayrNet should give Ms S a certificate showing how much is taken off if Ms S asks for one.
- Pay Ms S £200 compensation for the distress and inconvenience caused.

Mr M needs to provide an up to date statement (dated in the last three months) to allow PayrNet to make the settlement. PayrNet must pay the compensation within 28 days of the date Ms S provides the up to date statement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms S to accept or reject my decision before 27 February 2023.

Hayley West  
**Ombudsman**