

## **The complaint**

Mr M complains that PayrNet Limited closed his account and returned the money to source.

## **What happened**

Mr M had an account with one of PayrNet's agents. To keep things simple, I'll refer to PayrNet throughout this decision. In June 2021, PayrNet contacted Mr M to ask him for identity documents, proof of address, and information about the source of the funds paid into his account.

Mr M sent PayrNet some information, but PayrNet wasn't able to review this at first as he replied from a different email address. After Mr M sent PayrNet the documents again it said it was able to verify his ID and address. But it still wanted further information about the funds in the account. Specifically, it wanted paper-based evidence of the source of the funds, and further information about Mr M's account.

Mr M said that these payments were made directly to him by bank transfer – but included £30 a month in relation to damage caused to a car he rented, and a further £1,418.77 from another customer for a car he was renting.

PayrNet then asked Mr M for further information, such as invoices or contracts relating to the transactions. In response, Mr M provided a signed agreement with one of his customers – but said the other agreement was verbal. He also provided further details of his business.

Not having heard anything further, Mr M complained to PayrNet, and referred the complaint to us. Since then, PayrNet completed its review, closed Mr M's account, and in November 2021, returned the funds in the account to source.

Our investigator looked at all of this. Mr M said he didn't know what had happened to the funds in his account. PayrNet confirmed this payment was made on 29 November 2021 – and with this information Mr M was able to approach the recipient of the £1,418.77 and arrange for them to be repaid to him. Mr M has separately agreed a new arrangement with the sender of the £30 a month.

Looking at everything, our investigator didn't think PayrNet acted fairly in returning these funds to source. As a result Mr M was out of pocket and, although he was ultimately able to receive the funds from the recipients, this took a considerable time. To put things right, our investigator thought PayrNet should pay simple interest (the rate is 8%) from 19 June 2021 until Mr M got these back. (Mr M says he received £418.77 on 30 September 2022, and a further £1,000 on 13 October 2022.) Our investigator also recommended that PayrNet pay Mr M £250 to reflect the stress and frustration it caused.

Mr M agreed with the investigator's findings. PayrNet does not agree. It says it returned these funds to the senders in line with its internal processes – and doesn't think it's our role to question these processes. And it doesn't see why it should pay simple interest beyond the date it paid the funds to the recipients.

As we couldn't resolve matters informally, the complaint has been referred to me 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.

Financial businesses, like PayrNet, are subject to a number of legal and regulatory requirements. These mean PayrNet needs to have processes in place to monitor transactions and mean it may need to review an account at any time. Where it does this, it doesn't need to give reasons.

Looking at everything I've seen, I'm satisfied PayrNet was acting in accordance with these legal and regulatory obligations when it reviewed Mr M's account.

PayrNet then contacted Mr M to ask for further information about the payments into his account. PayrNet says the information it received allowed it to verify Mr M's address and identity – but it still wanted more information about how Mr M was using the account. After completing its review, it decided to close the account and returned the funds to its senders.

I've considered PayrNet's decision to close the account. I note the terms and conditions allowed PayrNet to terminate the agreement at any time – and that unless there were exceptional circumstances, it would give 60 days' notice. And where the account is closed, the terms and conditions allow PayrNet to either return the funds held to the senders of the payments or, subject to the account holder providing satisfactory proof of the account, by transfer to a UK bank account held by the account holder.

I've thought about this. I accept that PayrNet may have had grounds to close Mr M's account. Leaving aside any specific concerns PayrNet may have had, it appears Mr M was mainly using his account for business purposes – all the payments into the account related to payments for vehicles he hired out.

But I'm not satisfied PayrNet treated Mr M fairly by returning the funds to their senders. In response to PayrNet's requests for information, Mr M was able to explain the purpose of the payments. And when we've asked Mr M for details of this, he's been able to supply written agreements and paperwork relating to the ownership and licensing of the vehicles he says he hired out. Similarly, the references on the payments into the account appear to correspond to vehicles he was hiring out. The information I've seen doesn't persuade me Mr M wasn't entitled to the funds. Moreover, PayrNet doesn't appear to have had any reports from third parties suggesting these funds were illegitimate.

I've therefore gone on to consider the impact this all had on Mr M. It appears Mr M was ultimately able to rearrange payment by the third parties to whom PayrNet returned them. But this took Mr M a considerable time – in particular, the recipient of the £1,418.77 told him he hadn't received anything. It was only after we passed on details of the precise date on which PayrNet returned the funds that Mr M was able to arrange for this amount to be paid to him. Mr M was out of pocket for this period. I'm also mindful that there also appears to have been considerable delay between PayrNet receiving the last piece of information from Mr M and its final decision to close the account and return the funds.

Thinking about all of this, I find that PayrNet's decision to return the funds meant that Mr M was deprived of the funds. So in the circumstances, I think it would be fair for PayrNet to pay Mr M interest on the £1,418.77 to compensate him for the time he's been out of pocket. I can also see that what PayrNet did caused inconvenience to Mr M, as he needed to chase the recipients of the funds and obtain further information about when PayrNet returned these

funds before he could sort things out.

I've considered PayrNet's further comments. PayrNet doesn't think it should pay interest beyond the point it returned the money to source. But I'm satisfied that Mr M wasn't able to recover the funds initially – and this wouldn't have happened if PayrNet hadn't returned the funds. So I think it's fair that any compensation also cover this period. PayrNet also doesn't think we should question its internal processes. But I'm satisfied I still need to decide whether PayrNet's actions were fair. So this doesn't change my conclusions.

### **Putting things right**

For these reasons, I think the fairest thing to do would be to pay Mr M simple interest (the rate is 8%) from the 19 June 2021, two weeks after it blocked the funds, until Mr M got the funds back on 30 September and 13 October 2022. (Based on what I've seen, Mr M received £418.77 on 30 September 2022, and a further £1,000 on 13 October 2022.)

If PayrNet is required to deduct tax from this interest it should send Mr M a certificate setting out how it has calculated this should he want one.

I can also find that PayrNet's actions would have been frustrating for Mr M. I therefore award £250 to reflect the trouble and upset PayrNet 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 Mr M to accept or reject my decision before 2 February 2023.

Rebecca Hardman  
**Ombudsman**