

The complaint

Miss I is complaining that Moorwand Ltd cancelled her prepaid “virtual card programme”.

What happened

In June 2021 Miss I bought an electronic ring – through a company who I shall refer to as K – which enabled her to add prepaid money onto the ring to make contactless purchases. She paid £99 for the ring and entered into a four year agreement with K to use the product. She entered into a separate contract with Moorwand to provide the payment service to facilitate the loading of the money onto the ring.

In June 2022, the membership agreement with K renewed and Miss I paid an annual fee of £5. However, in July 2022 Moorwand wrote to Miss I to say that the programme would be coming to an end in two months time.

Miss I responded to complain that the programme was ending. She said bought the ring on the basis of entering into a four year programme which she said was now being rendered useless. So she wanted Moorwand to refund the amount she paid for the ring on a pro-rata basis, taking into account the amount she’d used, and she also wanted it to refund the £5 membership fee she paid. She also said she used the product as it made using public transport easier owing to her disability. And she was unhappy Moorwand only gave two months notice it was ending the agreement. She also complained that she’d had issues loading money onto the ring in recent months. So she wanted Moorwand to pay compensation for all of this.

Moorwand responded to say it had taken the decision to close the product due to a potential risk to the customers. It said Miss I was entitled to a refund of the funds she’d added to the ring, but it said there would be a £5 administration fee to facilitate this. Finally it said that it wasn’t a party to the sale of the ring and said she’d need to request a refund in respect to any costs associated with this from K directly. Miss I remained unhappy with what had happened and she also complained she was having to pay an administration fee to get her money back. So she referred her complaint to this Service.

Our investigator partially upheld this complaint. He said we couldn’t look at the actions of K in selling the product as Moorwand wasn’t responsible for this. He didn’t think Moorwand was being unfair in ending the agreement given the concerns it had, but he didn’t think it was fair for it to charge Miss I an administration to recover her money. He didn’t think Moorwand needed to refund anything further.

Moorwand accepted the investigator’s opinion. But Miss I didn’t agree as she said that Moorwand had said it was now her sole point of contact and had taken responsibility for everything. And she reiterated she’d lost out as a result of what had happened.

As Miss I didn’t agree with the investigator, the complaint’s been passed 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.

I think it would be helpful to firstly set out the respective contracts Miss I entered into with Moorwand and K. I understand Miss I entered into a contract with K to purchase an electronic ring to facilitate contactless payments. Miss I has told us she entered into a four year contract with K and paid £99 for the ring and would pay a £5 management charge per year thereafter. She then entered into a separate contract with Moorwand to add prepaid funds onto the ring to facilitate the contactless payments.

Ultimately, Moorwand had concerns about K's actions, so decided to end its contract with Miss I, giving her two months notice. Miss I thinks this was unfair and says she's lost out significantly as a result – both financially as she was no longer able to use the four year contract with K and also owing to the distress and inconvenience in not being able to use the product that she found really useful.

I appreciate Miss I's strength of feeling that what's happened is unfair, but I need to decide whether Moorwand acted unfairly – taking into consideration the terms of the contract. Of particular relevance to this complaint, the terms of the contract sets out the following:

"We may at any time suspend, restrict or cancel your [K] Product(s) or refuse to issue or replace a [K] Product(s) for reasons relating to the following:

- we are concerned about the security of your account or [K] Products we have issued to you. We suspect your account is being used in an unauthorised or fraudulent manner; or*
- we need to do so to comply with the law."*

So Moorwand was entitled to cancel the agreement where it had concerns about the security of Miss I's account, but it needed to exercise this right in a fair and reasonable way. I'm satisfied that Moorwand had fair and genuine concerns regarding the account and the potential risk to Miss I. So I don't think it was unfair for Moorwand to close the account. It gave Miss I two months notice of its intention to do so, so I'm also satisfied it gave her fair warning of the account closure. However, I don't think it's fair that Miss I has to pay an administration fee to recover money she's already loaded onto the product under the terms of her Moorwand agreement. So I agree with the investigator that Moorwand should waive this fee. And I'm pleased to see Moorwand has agreed to do so.

I appreciate Miss I is unhappy that she's not had full use of the K product and I've thought about whether I can fairly require Moorwand to compensate her for this. The terms of her Moorwand contract sets out that Moorwand isn't liable for any consequential losses, but I've thought about whether this is fair in these circumstances. Ultimately Moorwand cancelled the agreement to safeguard the account from potential risk. As I said, I'm satisfied the terms of the agreement entitled it to do this and I'm also satisfied that it acted fairly in doing so. So Moorwand hasn't breached any terms of the agreement in doing what it's done and I can't reasonably require it to compensate Miss I for any consequential losses that she may have incurred as a result of this – such as loss of use of the K product. If Miss I has concerns regarding the amount she paid to K, she'll need to raise this with K directly.

I note Miss I says Moorwand took responsibility for everything K did, but I don't agree. It said it would be her sole point of contact, but I haven't seen anything to show that it agreed to compensate her for anything K did wrong.

Finally, I've thought about Miss I's comments that she had some issues loading money onto

the ring. But, as I said above, Moorwand was entitled to restrict access to the account where it had concerns about the security of the account, which I believe may be why she may have had some issues loading money onto the account. And for the reasons I set out above, I can't say Moorwand acted unreasonably in this regard.

Ultimately, while I naturally sympathise with the situation Miss I has found herself in, other than charging an administration fee to refund the money she had added to the ring, I can't say Moorwand has acted unfairly.

My final decision

For the reasons I've set out above, it's my final decision that I partially uphold this complaint and I require Moorwand Ltd to waive the administration fee it was charging for Miss I to receive a refund of the money she had uploaded. I make no further award.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss I to accept or reject my decision before 29 March 2023.

Guy Mitchell
Ombudsman