

The complaint

Mr M complains that PayrNet Limited blocked and later closed his account. They returned funds to original source rather than to him. Mr M would like the money returned and compensation.

Mr M held a Rizq branded account – who provided services on behalf of PayrNet – but I will refer to Rizq as PayrNet in this decision.

What happened

In January 2021, PayrNet blocked Mr M's account and held the money in it. Mr M said this caused him a lot of financial distress and damaged his mental health. Mr M was a university student at the time and couldn't pay his rent.

PayrNet returned the money left in the account to the original sources, and closed Mr M's account in April 2021.

Our investigator reviewed things and recognised PayrNet hadn't asked Mr M for entitlement to the money held in his accounts. So, he didn't think it was reasonable the money was returned to source – and he hadn't seen any evidence it had been returned, despite asking PayrNet for it on a number of occasions. So, he asked PayrNet to:

- Return £780.90 (plus 8% statutory interest) which had been returned to source back to Mr M.
- Pay Mr M £100 compensation for the distress and inconvenience caused.

Mr M was happy with our investigator's recommendation. PayrNet wasn't. In summary, they said they acted within their legal obligations and they no longer held the funds as they had been returned to source.

Our investigator asked PayrNet again for evidence of their review, and that they had returned the money to source. PayrNet didn't respond.

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.

Having done so I've decided to uphold this complaint. And I'll explain why. PayrNet has said they no longer hold the funds and have acted in accordance with the regulations by returning the funds to source.

The problem is I can't tell whether Mr M isn't entitled to the money paid into his account as PayrNet haven't shared even basic information. 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;*”

So, I’ve considered Payrnet’s refusal/failure to provide information. I’ve also considered the fact that PayrNet are strictly regulated and must take certain actions in order 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 Mr M’s account from January 2021 – April 2021. I also haven’t seen any evidence that PayrNet involved Mr M in the review by asking him appropriate questions such as proof of entitlement to the money in the account, or what the account was used for as example. So, I can’t fairly say they’ve acted appropriately.

Should PayrNet have returned the money in Mr M’s account to source?

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 in regard to the actions they 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 didn’t ask Mr M any questions.

PayrNet made the decision to return three payments back to the original sources. I think It would have been helpful if PayrNet asked Mr M for proof of entitlement to these funds as part of the review. They 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 with the absence of any thorough investigation relating to the payments in question, I’m not satisfied PayrNet’s actions were fair. Ultimately, PayrNet would have to be satisfied that Mr M wasn’t entitled to the money himself to justify returning it back to the original sender. And as I’ve seen nothing to persuade me that they asked Mr M for these particular proofs of entitlements, I don’t find any plausible explanation as to how they satisfied themselves that Mr M wasn’t entitled to the money.

It therefore follows that I think PayrNet should refund Mr M the full balance of the 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.

Putting things right

Overall, based on the evidence received, I don’t think PayrNet did enough to satisfy themselves that Mr M wasn’t entitled to the money in the account – so I think they should refund him as he is now at a loss. And I think adding interest to the amount they refund him fairly compensates Mr M for the loss of use of his money.

I also consider £100 compensation to be appropriate in the circumstances to recognise the distress this situation caused Mr M.

My final decision

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

- Refund Mr M £780.90 which they returned to source.

- Calculate interest at 8% simple per year on the above amount. PayrNet should calculate this from the date they blocked the account up to the date they refund 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.
- Pay Mr M £100 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 Mr M provides the up to date statement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 February 2023.

Hayley West
Ombudsman