

The complaint

Ms A complained that PayrNet Limited blocked and then closed her account and withheld access to her funds.

What happened

Ms A had an account with one of PayrNet's electronic money agents. To keep things simple, I'll refer to PayrNet in this decision.

In January 2021, PayrNet restricted Ms A's account. Ms A contacted PayrNet to find out what was happening, provided a copy of her identity document and proof of her address. In February PayrNet told Ms A that the account was still under review, and then in March asked Ms A for further information about a change of address and what she was using the card for.

Over the next few weeks, Ms A provided details of her address and her benefits payments, but PayrNet didn't remove the restrictions from the account. Dissatisfied, Ms A referred the matter to us. Then, in September 2021, PayrNet decided to close Ms A's account and told her that the money would be returned to its source by bank transfer.

Our investigator looked at everything and thought the complaint should be upheld. She said that Ms A hadn't provided sufficient evidence to show she was entitled to a payment of £409 into the account. But there was a remaining £171.94 which she thought PayrNet should pay to Ms A. She thought PayrNet should pay interest on this amount to compensate Ms A for the time she's been out of pocket. And she thought PayrNet should pay £100 for the trouble and upset this caused.

Ms A agreed with the investigator. PayrNet doesn't agree. It says that as it already paid all the funds back to source, this would mean it would pay these amounts twice.

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

Financial businesses like PayrNet are subject to a number of legal and regulatory requirements. These mean it needs to monitor transactions to and from its customers' accounts and may need to review accounts at any time. When it does this it doesn't need to give reasons. And these legal and regulatory requirements also mean that PayrNet may need to restrict access to the account while it carries out its review.

Here, PayrNet reviewed Ms A's account and asked Ms A for information about her identity and address. It restricted the account on 29 January 2021 and says that Ms A provided some information the same day. Then in March PayrNet told Ms A it needed further information. It appears Ms A had changed address, so what she'd sent PayrNet didn't match the information it held on file. PayrNet also wanted information about what Ms A was using

the account for. After some back and forth Ms A sent PayrNet screenshots of the payments into her account and screenshots from the UK government website showing universal credit payments. PayrNet completed its review, and in September 2021 told Ms A it had decided to close the account and return the payments to source.

Thinking about all of this I uphold the complaint.

PayrNet says it was acting in line with its legal and regulatory requirements when it reviewed Ms A's account. But I'd expect PayrNet to complete its review in a timely manner. And I would only expect it to return funds to source where it was satisfied that Ms A wasn't entitled to them.

PayrNet restricted Ms A's account in January 2021. Yet it didn't tell Ms A it planned to close the account or return the funds to source until September 2021. I'm satisfied that almost all of this delay was avoidable.

I've next considered PayrNet's decision to return the funds to source. I'd only expect PayrNet to return these funds if it was satisfied Ms A wasn't entitled to them – and I note the terms and conditions that applied to the account also allowed the funds to be returned to the consumer if she could provide satisfactory proof of an alternative account.

We've asked Ms A about these payments. Ms A says these payments came, respectively, from two close relatives, a close family friend, and from an online bingo site. Of this money, £409 appears to relate to a universal credit payment. PayrNet asked Ms A about that. Ms A says this was her benefit money but was paid into her sister's account. To evidence this, Ms A sent PayrNet screenshots. But PayrNet wasn't satisfied with the information Ms A provided, and so returned the funds to the sister's account. In the circumstances, I think this was fair.

But PayrNet doesn't appear to have asked specific questions about the remaining funds in the account. Ms A explained that, more generally, she received payments for hairdressing. But she told PayrNet she was unable to access her statements, which meant she couldn't provide further details about these specific transactions. And then after Ms A provided further information, on 22 April 2021, PayrNet doesn't appear to have acknowledged or asked Ms A any further questions before it completed its review.

Thinking about all of this, I'm not satisfied PayrNet has shown it had cause to return the remaining funds to their senders. I've seen nothing to suggest Ms A wasn't entitled to the funds from the bingo site, and she's provided a plausible account of the purpose of the other funds. PayrNet didn't ask Ms A about these funds at the time. And Ms A doesn't appear to have recovered the funds subsequently. I acknowledge PayrNet's concern that Ms A might now be able to get these funds back twice. But I've found that PayrNet didn't have sufficient ground to return these funds to its source and I don't accept it would be fair for Ms A to lose out because of something PayrNet did wrong.

It appears Ms A relied on the £171.94 for essential spending. I find that Ms A suffered distress on account of not having access to these funds. I therefore also award £100 to reflect this.

Putting things right

PayrNet needs to put Ms A in the financial position she'd be in if things had happened as they should have. PayrNet returned £171.94 which Ms A would otherwise have had the benefit of. PayrNet should now pay this to Ms A.

PayrNet should also pay simple interest (the rate is 8% simple a year) on this amount from, 12 March 2021, when PayrNet should reasonably have completed its investigation until Ms A gets the money back. HMRC requires PayrNet to deduct tax from this interest. PayrNet should send Ms A certificate setting out how it has worked this out should she need one.

Finally, I find this was distressing to Ms A. PayrNet should pay Ms A £100 to reflect the trouble and upset it 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 Ms A to accept or reject my decision before 17 May 2023.

Rebecca Hardman
Ombudsman