

The complaint

Mr C complains that PayrNet Limited blocked his account and returned the money to the original source rather than to him.

What happened

In September 2021, PayrNet blocked Mr C's account and held the money in it. They asked Mr C for some documentation relating to Mr C's identity, and the source of funds. PayrNet say they received the identification from Mr C but not the evidence of source of funds. Mr C provided evidence to our service relating to the source of funds and says these had already been sent to PayrNet – so he wanted the money returned to him directly.

Mr C received emails from PayrNet in September 2021, and October 2021 asking for bank details to return the money to and informing Mr C it would be released to him. When Mr C didn't receive the money, he continuously chased PayrNet and confirmed not having access to the money was causing distress – especially as he suffers from anxiety and depression.

PayrNet say they returned the money left in the account to the original sources around December 2021 and closed the account in April 2022.

Our investigator reviewed things and thought PayrNet shouldn't have returned the money to the original senders and that it should be returned to Mr C directly. She therefore asked them to return £2,312.95 plus 8% statutory interest to Mr C. And pay Mr C £100 compensation for the distress and inconvenience caused.

Mr C accepted our investigator's recommendation. PayrNet also responded and confirmed they agreed.

In January 2022, Mr C got back in touch with our service as he still hadn't received the settlement from PayrNet. PayrNet confirmed they had returned the money to source in November 2022 and paid £345.36 to recognise the £100 compensation and the 8% statutory interest. Our investigator queried this as her recommendation stated that the money should be returned to Mr C – and not to source. She asked for the 8% to be revised to recognise the timeframe and asked for an extra £50 compensation to be paid. PayrNet confirmed they agreed with the settlement and compensation but as they'd already returned the money to source, they couldn't also refund Mr C directly. PayrNet agreed to pay an extra £50 compensation in the circumstances.

As an agreement couldn't be reached, the complaint has been passed to me to review.

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. 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, PayrNet initially said the money was returned in December 2021, and in subsequent correspondence has said it was returned in November 2022. Either way, I haven't received any substantial evidence to show that the money actually has been returned to source, or how PayrNet made the decision that Mr C wasn't entitled to it.

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;”*

I've 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.

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. 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 C's testimony, PayrNet did ask Mr C for some information. PayrNet confirmed they received Mr C's identity documents but didn't receive the source of funds information. Mr C has provided our service with evidence to show why he is entitled to the money which was left in his account and says he sent this to PayrNet when they requested it. I appreciate PayrNet say they didn't receive it – but I haven't seen any evidence that's the case. And based on the evidence I have received from Mr C, I think it's more likely than not, Mr C provided this to PayrNet in September 2021 when they initially asked for it.

PayrNet made the decision to return four payments back to the original sources – albeit one of the sources was Mr C's account with another bank which had closed so the payment couldn't be accepted. I've had to consider whether it was fair to return the money to source. I've carefully considered the evidence both Mr C and PayrNet has provided. Based on this, and the full circumstances of the complaint, I'm not satisfied PayrNet's actions were fair. Ultimately, PayrNet would have to be satisfied that Mr C wasn't entitled to the money himself to justify returning it back to the original senders. Having considered the evidence Mr C has provided to our service, I'm not persuaded PayrNet have made a fair decision.

I also think PayrNet confused matters by asking Mr C for relevant bank details to return the money to and informing Mr C he would receive the money within 10 working days in October 2021. Of course, if relevant evidence was missing – as PayrNet say it was, I wouldn't expect this message to be relayed to Mr C – and I would expect them to chase Mr C for the missing evidence before making the decision to return to the money to source.

Overall, I don't find any plausible explanation as to how PayrNet satisfied themselves that Mr C wasn't entitled to the money and it therefore follows that I think they should refund Mr C the full balance of the money which was returned to source. I also don't think it's reasonable that Mr C 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 C wasn't entitled to the money in the account – and I think Mr C has provided enough evidence to show he is entitled to it. So, I think PayrNet should refund Mr C

as he is now at a loss. And I think adding interest to the amount they refund him fairly compensates Mr C for the loss of use of his money.

I also consider £150 compensation to be appropriate in the circumstances to recognise the distress this situation has continued to cause Mr C.

My final decision

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

- Refund Mr C £2,312.95 which they say has been returned to source.
- Calculate interest at 8% simple per year on the above amount. PayrNet should calculate this from 23 September 2021 up to the date they refund Mr C.
- HM Revenue & Customs requires PayrNet Limited to withhold income tax from the above-mentioned interest. PayrNet should give Mr C a certificate showing how much is taken off if Mr M asks for one.
- Pay Mr C £150 compensation for the distress and inconvenience caused.

Mr C 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 C provides the up to date statement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 12 April 2023.

Hayley West
Ombudsman