

## **The complaint**

Mr W complains PrePay Technologies Limited unfairly closed his business account and haven't released funds he held in the account.

## **What happened**

Mr W held a business account with one of PrePay's agents. To keep things simple, I'll refer to PrePay in this decision.

PrePay decided to close Mr W's account in October 2021. They asked Mr W for an alternative account to send the funds they held, and for a statement for the nominated account issued within the last three months to verify him as the account holder. Mr W didn't think PrePay were entitled to receive a statement.

Mr W brought his complaint to our service. Our investigator told him it was standard practice for firms to ask for statements to verify accounts they were sending payments to. Mr W sent our investigator a statement, which they forwarded to PrePay on 18 January 2023.

Our investigator upheld Mr W's complaint in part. They said:

- PrePay could review and then close Mr W's account in line with the terms and conditions of the account and their legal and regulatory obligations. They didn't have to disclose their reasons to him.
- Based on the information PrePay provided to our service, they should have given Mr W two months' notice before closing his account. They should pay him £200 for the inconvenience he experienced.
- PrePay acted reasonably by asking Mr W for an account statement to verify he held the account where he wanted his funds transferred. Mr W has now provided a statement, so PrePay should transfer the funds.

PrePay rejected the investigator's recommendation, so the complaint was given to me to make a final decision in my capacity as an ombudsman. Prior to making this final decision, I told PrePay that I was inclined to agree with our investigator's findings, but I was also inclined to award 8% simple interest per annum on the balance they held.

PrePay responded to say they would now accept the investigator's original findings, but as I find additional compensation is appropriate above what our investigator recommend, I've proceeded to make a final decision, so Mr W has the opportunity to accept my final decision, which would make it binding on PrePay.

## 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.

PrePay have a broad commercial discretion to close customer accounts. But they should ensure they close an account in line with the terms of the account, which constitutes their agreement with Mr W. Here, PrePay acted in a way which effectively meant Mr W's account was closed immediately. He didn't have access to his account from 13 October 2021.

There are specific terms that allow PrePay to close an account immediately. The relevant terms state:

*"We may on immediate notice terminate these (...) Terms where we have reason to believe that any of the following happen:*

- you have been suspended for a period of 90 days and you have failed to remediate the cause for suspension;*
- you seriously or repeatedly broke these (...) Terms;*
- we reasonably think that you might put us in breach of law or regulation;*
- we discover that any of the information you've provided is false or misleading;*
- you stop meeting our eligibility criteria;*
- you have infringed on (...) or any third party's intellectual property;*
- you are behind in payment of fees and have not remedied this non-payment within five (5) days of (...) providing you with notice of the non-payment; or*
- you are subject to a bankruptcy, insolvency, winding up or other similar event."*

Our investigator provided their reasons on why they found PrePay failed to show they could immediately close the account. I have drawn the same conclusions after carefully reviewing the information available. I'm not satisfied PrePay have established any of the above criteria was met for the terms to be reasonably applied.

PrePay told our investigator the notice period they give is entirely at their discretion. But their terms and conditions set out express criteria to close an account immediately. I'm not satisfied they have made a persuasive case to override these terms in the individual circumstances of Mr W. So, while they could close his account, I find they ought to have given him two months' notice, and he ought to have had use of the account for that two-month period.

Mr W said he had to make other arrangements to receive payments from clients. But given PrePay could close his account, he would have always had to make alternative arrangements. But I find it's likely he was frustrated by the immediate closure, and he would have experienced more profound inconvenience by having to make arrangements straight away. I'm satisfied £200 is reasonable compensation to make up for this.

PrePay required Mr W to provide a statement for his nominated account. I'm satisfied this was a reasonable due diligence measure in line with their legal and regulatory responsibilities. Mr W eventually provided a statement to our service which was forwarded to PrePay on 18 January 2023. I find they ought to have made the payment no more than one week from when they were sent the statement – in this case by 25 January 2023.

If PrePay failed to transfer the funds to Mr W by this time I find they ought to pay eight percent simple interest on the balance from 26 January 2023 until the time they made or will make payment. This is to represent the loss Mr W might have experienced by not having use of his funds when he should have.

### **Putting things right**

Subject to Mr W accepting this decision, I require PrePay Technologies Limited to:

- Pay him £200 for the distress and inconvenience he was caused due to closing his business account in a way which was equivalent to an immediate closure.
- Pay him the balance they held if it has not already been paid to him.
- If PrePay failed to pay the balance they held by 26 January 2023, they need to pay eight percent simple interest on the balance they held/hold until the time they have paid Mr W the funds. If PrePay considers that they're required by HM Revenue & Customs to deduct income tax from that interest, they should tell Mr W how much they've taken off. They should also give Mr W a tax deduction certificate if he asks, so he can reclaim the tax from HM Revenue & Customs if appropriate.

### **My final decision**

My decision is I uphold Mr W's complaint. PrePay Technologies Limited must put things right according to my instructions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr W to accept or reject my decision before 11 August 2023.

Liam King  
**Ombudsman**