

## **The complaint**

Mr O complains PayrNet Limited ("PL"), trading as Chippercash, restricted his account, closed it, and returned the funds in it to the source accounts.

## **What happened**

In January 2022, PL blocked Mr O's access to his account following an internal review. It asked him to provide information related to the source of funds for several transactions on a number of occasions.

Mr O explained he was a registered trader of crypto currency. The payments into his account were from buyers he'd arranged to sell crypto to, but for diligence reasons asked them to send payments in sterling to his PL account.

Mr O also says he undertook his own due diligence checks with people he was selling crypto to by checking they were verified on the trading platform, had previous transactions and the payee's name matched with that on the platform.

A few months later in April 2022, PL informed Mr O that it was returning all the remaining funds, around £5,750, in his account to the remitters or source accounts. And that it was closing his account. Mr O was unhappy with PL's decision as he felt he had explained and provided enough evidence to show he's a verified crypto currency dealer and the funds were from crypto asset sales.

Unhappy about PL's actions, Mr O complained. PL reiterated that it had closed the account following its review, and the funds in it were returned to source. Mr O was also given referral rights to this service.

Mr O referred his complaint to this service. One of our Investigator's looked into it, and they upheld it. In summary, some of their key findings were:

- PL has certain statutory, regulatory and legal obligations it must adhere to. To do this it has to sometimes review and block a customers account. It's important PL did not cause an undue delay with its review and investigations
- They've not been able to tell exactly what investigation work was carried out by PL, and what questions it asked of Mr O. Because of this they can't say if the time taken to complete any investigation was fair
- PL hasn't evidenced that it was fair to return the balance in the account to the senders
- Whilst PL hasn't provided this service with the information requested of it, Mr O has provided evidence which suggests he was the victim of several scams. The evidence provided shows Mr O entered into crypto transactions, using a well-known portal in good faith and exchanged crypto currency for cash. He did not know both the sender of the funds and himself were being scammed

- So PL should return the funds to Mr O and pay 8% simple interest on them. PL should also pay Mr O £150 for the distress and inconvenience caused

PL did not agree with what our Investigator said. In short it said it was complying with legal and regulatory obligations, and by returning the funds to Mr O, it would be in breach of those. It also said it would not pay 8% simple interest on them.

As PL did not agree, this complaint has now 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.

Having done so, I've decided to uphold this complaint. I'll explain why.

I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

If there's something I've not mentioned, it isn't because I've ignored it. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome. I do stress however that I've considered everything Mr O and PL have said before reaching my decision.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information PL has provided is information we consider should be kept confidential.

Financial businesses in the UK, like PL, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means they need to restrict, or in some cases go as far as closing, customers' accounts.

Having looked at PL's evidence and reasons for reviewing and restricting Mr O's account, I'm satisfied it acted in line with the obligations imposed upon it.

PL hasn't provided this service with all the information we've asked it to which relate to its investigation. So I'm not able to say whether it caused undue delay with its review.

PL decided in April 2022, when concluding its review, to return the funds Mr O held back to the remitting accounts. When a business does this, we expect it to be able to demonstrate that it carried out an investigation which shows its customer wasn't acting in good faith, and they were not entitled to those funds.

PL hasn't given us enough information to determine that its investigation justifies its action to return the funds. I don't undervalue the strength of its concerns here, and I can understand why this action would be a strong consideration.

Our Investigator asked Mr O to show us evidence related to his assertion that he was acting in good faith and the payments which caused concern were legitimate payments for crypto transaction he'd arranged on a trading platform. Mr O has shown that the transactions he

was asked about were legitimate transactions by providing screenshots of the trading platform for pretty much each transaction. These also matched with the trading platforms technical information for Mr O's trades.

Mr O's explanation that he had his own diligence checks before trading with anyone to mitigate against fraud or scams also aligns with the evidence I've seen. Mr O has also explained how he used this money by dispersing it into investment accounts and buying a property. He's also shown compelling evidence this was the case.

So, based on the information Mr O has sent this service, I'm persuaded he was acting in good faith, and legitimately carried out the transaction he says he did that led to payments being made into his account and that PL had concerns about.

Given I don't know the extent of PL's investigation and based on the evidence I've seen from Mr O, I'm not persuaded PL should have returned the funds to source. Mr O's trading evidence also shows he sold crypto assets to these individuals, so he's most likely lost out here.

I've also looked at Chippercash's terms and conditions of the account.

Section 9.2 says that:

*"In addition to the actions set out above in clause 9.1, we reserve the right to also take any of the following actions following a review:*

*9.2.1 hold funds subject to a Payment Transaction;*

*9.2.2 apply funds to a negative E-Wallet balance or use funds to offset a loss incurred by us;*

*9.2.3 suspend or terminate your Account;*

*9.2.4 seize funds to comply with a court order, warrant, and / or other legal process; and / or*

*9.2.5 reverse a Payment Transaction (i.e. return funds to the payer's E-Wallet)"*

And clause 9.4 says: *"We also reserve the right to freeze and block your Account if we deem any funds to have been acquired illegitimately or where you are unable to provide details of the original source of the funds from your Nominated Account to your E-Wallet"*

PL's terms say it reserves the right to return funds to source if it deems they have been acquired illegitimately or where its customer isn't able to provide details of the original source. But as I've said earlier, PL hasn't shown us all the information from its investigation to show Mr O wasn't entitled to these funds or more specifically, that he wasn't acting in good faith when selling his crypto assets. And from what I've seen from Mr O, he was most likely acting legitimately and in good faith.

So after weighing this all up, I'm persuaded PL should return the funds of around £5,750 to Mr O. As he has been deprived of these funds, and in line with this service's approach, PL should pay Mr O 8% simple interest on the funds from when it concluded its investigation in April 2022 until settlement.

Mr O has said he isn't complaining about the account closure, but later was less clear about this.

PL is entitled to close an account just as a customer may close an account with it. But before PL closes an account, it must do so in a way which complies with the terms and conditions of the account. I'm satisfied, given its concerns, PL acted fairly and in line with its terms when closing Mr O's account in the way it has.

Lastly, Mr O has put significant effort into providing information to show his entitlement to the payments he's been asked about. And I'm satisfied his funds being returned by PL in this way would have caused him some distress. So I think £150 is fair compensation.

### **Putting things right**

To put things right, PayrNet Limited must:

- Return the funds it held in Mr O's account to him, which I understand is £5,750.18
- Pay 8% simple interest on these funds from when the review concluded in April 2022 up until settlement\*
- Pay Mr O £150 compensation for the distress and inconvenience he's suffered as a result of what PL did wrong

\* If PL considers that it's required by HM Revenue & Customs to deduct income tax from that interest, it should tell Mr O how much it's taken off. It should also give Mr O a tax deduction certificate if he asks for one, so he can reclaim the tax from HM Revenue & Customs if appropriate.

### **My final decision**

For the reasons above, I uphold this complaint. PayrNet Limited must now put things right as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 8 December 2023.

Ketan Nagla  
**Ombudsman**