

The complaint

Mr O complains PayrNet Limited, trading as Pockit, restricted and hasn't returned the funds held in it to him or the source account.

To keep things simple, I'll refer mainly to Pockit in my decision.

What happened

In June 2020, Pockit reviewed Mr O's account and later asked him for information relating to the source of funds. Later in December 2020, following its review Pockit restricted Mr O's account. Pockit says that following this review, it decided to return any remaining funds in Mr O's account back to the source they had come from.

Mr O says £815 that were held in the account were returned to him after he had cancelled a previously booked holiday.

Pockit adds that it sent the funds back to the holiday company in late 2021. Mr O says this money hasn't been returned as Pockit says. Pockit closed Mr O's account in September 2021.

Unhappy with Pockit's responses, Mr O referred his complaint to this service. One of our Investigator's looked into Mr O's complaint. They upheld the complaint and in summary found:

- Payment Service Providers (PSP) are under numerous legal and regulatory obligations
- They're not able to share Pockit's reasons, but it acted fairly when closing Mr O's account
- The funds were from a legitimate source – cancellation of a holiday – so Mr O was entitled to them. As Pockit haven't returned the funds as it says it has to source, it should pay them directly to Mr O
- As it's been well over 18 months since Mr O's account was closed, this delay is unfair
- To put things right, Pockit should pay Mr O the principal sum of £815 plus 8% interest from April 2021 to the date of refund. It should also pay him £100 for the distress and inconvenience caused

Mr O agreed with what our Investigator said. In its response Pockit said it doesn't agree as the funds had been returned to the sender.

As Pockit didn't 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 Mr O's complaint in part. I'll explain why.

Review of account

Regulated businesses in the UK, like Pockit, 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 banks need to restrict, or in some cases go as far as closing, customers' accounts.

I note Pockit say it carried out a standard review of Mr O's account, and later asked him for information about his source of funds. As I've said Pockit has obligations under which it must work. So I don't think it's unfair it carried out a review and placed restrictions on the account whilst it did so.

But I do question why it originally placed the account under review in June 2020 and then sought information about the source of funds in December 2020. This is an excessive delay. Pockit point to COVID challenges around the time for why it took this long. I can understand this, but given this was a customer's account, I think it should have acted with more speed and prudence.

Funds returned to source

Pockit's statement of account that I've been given shows Mr O receiving his refunds from the holiday company in April 2021, and them being returned to source in August 2021. This again is a severe delay on Pockit's part. But I need to address whether I think Pockit acted fairly in deciding to return Mr O funds to source – or whether it should have given him access to them.

Pockit initially asked Mr O to explain the source of his funds in June 2020 – well before the refunds from the Holiday company in April 2021. Mr O explained that he used his account mainly for his lodger to pay his rent into, so as to keep it separate from his main current account. He added that he spent the money on incidentals like kid's pocket money, a family holiday and other such things.

Pockit hasn't been able to give any more information about what Mr O provided it with to show entitlement to the funds going into the account and the account remained under review.

Mr O has given me information which I'm satisfied shows he had cancelled his holiday and that the funds were being refunded to him – partly into his Pockit account. Pockit then decided to return these funds back to the holiday company as it had concerns about Mr O.

Having looked at the information Mr O and Pockit have given me, I'm persuaded Mr O was entitled to these funds. That's because Pockit hasn't shown enough evidence that it had valid concerns about any money coming into Mr O's account – and that the funds refunded to Mr O did come from a legitimate source. Nor have I seen anything else that would indicate Mr O wasn't entitled to the funds.

Because of this I'm satisfied Pockit didn't have grounds enough to return the funds to the holiday company.

Mr O has sent me emails from the holiday company which show they haven't received the funds. Our Investigator enquired about this and Pockit said in an email dated

December 2022 that the funds were due to be returned to the merchant, but as it doesn't have the merchant's details, it's holding on to them.

In response to our Investigator's findings, Pockit have sent a screen shot which it says shows the funds were returned in November 2021. Firstly, I'm not persuaded Pockit's screenshot is evidence enough to show the funds were returned to the merchant. But more importantly, it told us in December 2022 that it couldn't return the funds and that it is holding on to them.

So it follows that I'm not satisfied the funds were returned to the merchant – that is, the holiday company. Given I don't think Pockit had reason enough to return the funds to source, and as I'm satisfied it is still holding them, it should return these funds to Mr O.

Mr O has been deprived of these funds which he should have had since they were refunded to him in April 2021. Because of this, Pockit should pay simple interest on them of 8% from April 2021 up until settlement.

Mr O says he's not concerned about the account being closed. So this isn't something I need to make a finding on.

Distress and inconvenience

Mr O says he used his Pockit account for 'incidental' expenses like holidays and pocket money for the kids. So I'm satisfied the loss of its services didn't impact him that much. He's also said he had a current account – presumably with a third-party bank.

But I do think the protracted nature of Pockit's investigation, albeit tempered by COVID challenges, and him having to regularly chase up the matter would've caused him some distress and inconvenience. Because of that I think Pockit should pay him £100 compensation.

Putting things right

To put things right, Pockit should:

- Pay Mr O the funds held in his account of £815
- Pay 8% simple interest of these funds from 19 April 2021 up until settlement*
- Pay Mr O £100 compensation for the distress and inconvenience caused

* If Pockit 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 in part. I now direct PayrNet Limited to put things right as outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr O to accept or reject my decision before 7 July 2023.

Ketan Nagla
Ombudsman