

The complaint

Mr M complains PayrNet Limited, trading as Pockit, blocked his account and have not returned the money held in it to him. Mr M says this has caused him financial loss and substantive distress and inconvenience.

To keep things simple, I will refer to 'Pockit' in most of my decision.

What happened

In November 2021, Pockit reviewed Mr M's account and restricted his access to it. Around that time Mr M received £1,500 into his account and Pockit asked him to provide proof of his identity and address, and it asked him to evidence his entitlement to the funds.

Mr M sent Pockit some information, and explained the funds were a payment for selling a puppy. Pockit were not satisfied with this and continued to withhold the funds. Unhappy with Pockit's actions Mr M complained.

In response Pockit pointed to one of the account terms. In short, the term said Pockit reserves the right to request information or proof of income at any time, and that it can suspend the account pending satisfactory resolution.

Mr M then referred his complaint to this service. In May 2022, Pockit returned the funds held in Mr M's account to source – the remitters account.

One of our Investigator's looked into Mr M's complaint. In summary, the key findings they made were:

- Pockit's decision to review and restrict Mr M's account was fair and in line with its obligations. It also acted in line with its obligations when asking Mr M for information about the funds
- Pockit didn't act fairly and reasonably based on the information Mr M provided to it. If it had done so by carrying out a proper investigation, Pockit would likely have acted differently and not returned the funds to source
- Pockit should pay Mr M the funds it was holding of £1,498.01 and pay 8% simple interest from when Mr M provided it with evidence till settlement. Pockit should also pay Mr M £150 in compensation for the inconvenience caused
- Mr M says being deprived of the funds left him unable to pay for stock for his business and put him in deficit with his mortgage. But, as per Mr M's testimony, the money he received was not for business purposes or for his mortgage. And the cost of replenishing the business stock was a lot more than the money held. So £150 is fair compensation.

Mr M agreed with what our Investigator recommended, but Pockit did not. Pockit have made several points in response, which include:

- It agrees with the £150 compensation, but not that it should return the money to Mr M and with 8% simple interest. It has acted in line with its terms and conditions, and Mr M seems to be in touch with the remitter – so he should ask them for the money
- Pockit should not have to pay out this money twice
- Mr M couldn't provide adequate information relating to his entitlement to the funds, including details of his business of selling puppies
- Pockit had sufficient concerns to have acted as it did, and this was done so in line with its legal and regulatory obligations

As Pockit didn't agree with what our Investigator said, the 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 in part. 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 his 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 that Mr M and Pockit has said before reaching my decision.

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

Financial 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 they need to restrict, or in some cases go as far as closing, customers' accounts.

Pockit point to a myriad of regulations and laws that it must follow as reason for why it restricted Mr M's account, asked him for proof of identity and source of funds, and withheld his funds. It adds that as the information Mr M provided wasn't enough for it to satisfy its concerns and regulatory obligations, it decided to return them to source.

Having carefully considered Pockit's reasons, and evidence, for restricting Mr M's account, I'm satisfied that it did nothing wrong here as it had legitimate concerns. I'm also satisfied that it did so in line with the legal and regulatory obligations it must meet.

The question then is whether Pockit acted properly when carrying out its due diligence.

I can see Pockit asked Mr M to send it proof of his identity, address, and source of the funds.

Mr M responded promptly to this request. Pockit were not satisfied with the evidence it received to show Mr M's entitlement to the funds.

Mr M says he sold one of his puppies to someone he had known through his business - and that he'd known them for a significant period. When our Investigator looked into this complaint, they asked Mr M to provide this service with evidence of the sale of the puppy. Mr M has sent us several screenshots and other evidence to support this.

It's not clear what information Mr M sent to Pockit as it hasn't forwarded this to us. But from what I've seen, I'm persuaded the £1,500 paid to Mr M was most likely a legitimate transaction. In other words, I'm satisfied both from the evidence I've seen, and Mr M's testimony, that he had received these funds from the sale of his puppy.

To support this I've seen screenshots of messages between Mr M and the buyer, registration documents for the puppy and a handwritten receipt. I can also see the payment by the remitter was made in accordance with messages between them around the time of the transaction.

Mr M has explained he wasn't in the business of selling puppies, but he sold this one to someone he'd known for a while – especially as he had financial difficulties with his unrelated business at the time. I find Mr M's explanation plausible and persuasive. He has been consistent throughout and as I've said, provided related evidence promptly when asked.

From the screenshots I've been given by Pockit - from its messages with Mr M when carrying out its source of funds investigation - I can't see it asked Mr M any follow up questions when he submitted the evidence of his entitlement to the funds.

Given the concerns Pockit had, I'm persuaded it should have done much more to carry out its due diligence here. To be clear, I agree it has important obligations to follow when it restricted the account and decided to carry out a proof of entitlement exercise. But I would have expected this proof of entitlement or due diligence exercise to have been carried out more reasonably and fairly.

I think had Pockit probed and asked Mr M for further information about the sale, it would have, as I am, satisfied itself that Mr M was entitled to these funds. I haven't seen anything else to show the sale of the puppy was in dispute either with the buyer. So it follows that I think Pockit should've done more and by not doing so has wrongly returned the funds to the remitter.

Pockit says Mr M knows who he sold the puppy to, so he should simply get the money from them. But it's clear Mr M hasn't had these funds returned to him since they were returned in 2022. Mr M says he knew this individual through his business which was collapsing at the time in 2021. So I think it's reasonable he hasn't been able to recover these funds personally. And as I've said, they were returned wrongly by Pockit.

Because of this, I'm persuaded Pockit should pay Mr M the money it says it returned to the remitter and that he was entitled to. From the statement I've been given, I understand that amount is £1,498.01. I also think Pockit should pay Mr M 8% simple interest on this amount from when Mr M first sent Pockit evidence of his entitlement in December 2021 up until settlement.

Mr M has also explained his business premises fell into dilapidation from weather damage and the insurance cover the landlord said he had would not cover the damage caused.

Mr M says that being deprived of these funds didn't allow him to put it towards the cost of replenishing stock related to his ailing business at the time of £3,000. He also says that he couldn't meet his mortgage payment nor pay bills because he used those funds for his business.

Mr M hasn't been able to provide evidence of the insurance claim and says he left the landlord on bad terms. And he has given me a copy of his mortgage provider's letter which shows he was a month's payment in arrears around January 2023.

I've already decided to award 8% simple interest on the funds and that's because Mr M didn't have the money available to use. Mr M says he's suffered financial loss because he couldn't use the funds for his business and maintain an income stream.

But the funds were around a half of what he needed to buy his stock, and it's clear the business was already ailing significantly at the time after a failed insurance claim. I also note the evidence Mr M has sent of being in mortgage arrears is from January 2023. This is quite some time after the funds were withheld in 2021. So I can't put too much weight on this argument.

Mr M has also explained he suffered substantive distress and inconvenience by not having access to the funds. He says it affected his ability to support his family too. Mr M accepted that £150 was fair compensation for the distress and inconvenience he suffered. Having weighed this up, I'm satisfied it is fair compensation.

Lastly, I note Pockit closed Mr M's account. I haven't seen the notice of closure which would show in what time frame the account was closed. Mr M doesn't appear to have complained about the closure.

Given what I've said above about the due diligence failings on Pockit's part, it's possible Pockit wouldn't have closed the account had it done things as it ought to. But Mr M says he didn't use the account much at all, and he had at least another external account for his main banking requirements. So I don't think he's suffered any loss by the account being closed by Pockit nor would it have caused him any distress or inconvenience that warrants any compensation.

Putting things right

For the reasons above, to put things right Pockit must:

- Pay Mr M £1,498.01
- Pay 8% simple interest on £1,498.01 from when Mr M sent it information about his proof of entitlement to the funds in December 2021 up until settlement*
- Pay Mr M £150 compensation for the distress and inconvenience it's caused**

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

** Pockit must pay the compensation within 28 days of the date on which we tell it Mr M accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

My final decision

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

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 6 October 2023.

Ketan Nagla
Ombudsman