

The complaint

Mr M complains that PayrNet Limited blocked then closed his account and returned his funds to source. He'd like the funds returned and compensation for the impact.

What happened

Mr M had an account with an agent operating on behalf of PayrNet. For the purposes of my decision I'll only refer to PayrNet.

On 15 June 2022 Mr M's account was blocked.

PayrNet contacted Mr M and asked him to provide identification, proof of address and proof of ownership of the funds in his account – just over £3,700.

PayrNet accepted Mr M's identification and address information however weren't satisfied with the evidence Mr M supplied for the source of the funds.

Mr M explained the payments into his account were from a group of his friends. He knew them through playing professional poker and the funds were paid in to collect for a holiday they were planning. Amongst other documents Mr M provided a handwritten note with a list of his friends' names and amounts they'd paid in – however he couldn't provide any conversations between him and his friends agreeing the transfer of funds.

PayrNet weren't satisfied with his explanation, and also had concerns that the funds were moved out to third parties after being received – which they didn't think matched with Mr M's explanation.

Mr M complained to PayrNet about the block, and lack of access to his funds. But, PayrNet thought they'd acted fairly in reviewing his account and deciding to return to the funds to source – so they didn't uphold his complaint.

On 13 July 2022 PayrNet returned all of the funds in Mr M's account to source.

Mr M brought his complaint to our service. An investigator was allocated to his complaint. Our investigator asked Mr M for further evidence and explanation for the funds, however Mr M didn't provide any new evidence. He explained he'd managed to recover the majority of his funds, however he was still missing £1,400 in total from PayrNet, as these funds were returned by PayrNet to closed accounts.

He advised £400 of this was due to be returned to an account in his name with a business I'll call R, and £1,000 was to a friend's account. They asked Mr M for evidence of these returns, however Mr M wasn't able to provide anything.

Our investigator contacted R and asked for confirmation about whether £400 had been returned to them from PayrNet. However, R confirmed this wasn't the case. And as Mr M's account was closed any attempted returns would have bounced back to source.

Overall, our investigator thought PayrNet had acted fairly in blocking and closing Mr M's

account. However once the funds to Mr M's account with R had bounced back to PayrNet, they thought the business should have acted more quickly and released them to Mr M. But, they hadn't seen any evidence the £1,000 had also bounced back to PayrNet, and therefore didn't recommend this was released to Mr M.

In conclusion, our investigator asked PayrNet to pay Mr M £400 plus 8% interest from 13 July 2022 to the date the funds are released, and £100 for the inconvenience caused.

Mr M accepted our investigator's view – however, he remained unhappy about not receiving the £1,000. I understand PayrNet have recently returned this to him.

PayrNet haven't been clear on whether they accepted our investigator's view or not. They've argued that the £400 was returned to Mr M – however haven't provided evidence of this.

As it isn't clear if PayrNet accepted our investigator's view it's 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.

I've considered PayrNet's actions in restricting and closing Mr M's account.

PayrNet are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They're also required to carry out ongoing monitoring of new and existing relationships. That sometimes means they need to restrict customers' accounts – either in full or partially while they carry out their review. Having looked at what's happened I appreciate why Mr M may have found this inconvenient, but PayrNet must ensure they keep their due diligence checks updated at all times.

As part of their review, PayrNet asked Mr M for detailed information about the money in his account and where it came from – which they're entitled to do under their obligations. Having reviewed everything, I think PayrNet's requests were reasonable in the circumstances. Ultimately it's PayrNet who decide what information they do or don't require as part of a due diligence review and they have a duty to protect their customer's money and understand where it came from. Because of that, I can't fairly conclude PayrNet acted inappropriately.

At times, following a review, businesses sometimes choose to end their relationship with customers. This can be due to a number of reasons and a business isn't obliged to give a reason to the customer. Just the same as if Mr M decided to stop banking with PayrNet, they wouldn't have to explain why. Based on what PayrNet has shared with me, I'm satisfied their actions were appropriate in the circumstances.

Funds returned to source

On 13 July 2022 the funds in Mr M's account were returned to source. Mr M's managed to get the majority of these back now, bar £400 which was due to be sent to his account with R. But, I still need to consider if PayrNet acted fairly in initially making the decision to return them. For me to say PayrNet acted unfairly I'd need to be satisfied Mr M was entitled to the funds. And for me to do this I'd need sufficient proof.

I've reviewed the documents Mr M supplied PayrNet and his explanation for why he received the funds but having done so I'm not satisfied that the evidence he provided is sufficient. It follows I can't say PayrNet's initial decision to return the funds to source was unfair.

On 13 July £400 of the funds were sent back to Mr M's account with R. I've seen the evidence provided by R which shows these funds weren't received, and most likely bounced back to PayrNet. As PayrNet made the decision to return these funds to Mr M's account with R on 13 July 2022 I see no reason why these funds weren't released to him, using alternative account details, soon after they were sent back from R.

I've also considered whether PayrNet caused Mr M any detriment in not releasing the £1,000 payment to him sooner. However, I don't think they did. I say this as these funds *weren't* returned to an account in Mr M's name – and as I've explained the proof of entitlement Mr M provided for the funds wasn't sufficient. As Mr M wasn't able to demonstrate his entitlement to the £1,000 I can't conclude PayrNet acted unfairly in not returning the £1,000 to Mr M sooner.

Putting things right

As Mr M has been deprived of the use of his funds since 13 July 2022 I think PayrNet should pay Mr M 8% simple interest from 13 July 2022 to the date the funds are released to him.

Mr M has experienced a small amount of inconvenience here, in attempting to chase the release of £400. I'm satisfied that £100 is fair compensation for this.

Mr M's informed our service that he's received £126.39 in redress from PayrNet so far. PayrNet haven't been clear with Mr M or our service what this payment covers.

My final decision

My final decision is I partly uphold Mr M's complaint and direct PayrNet Limited to:

- Pay Mr £400 plus 8% interest from the 13 July 2022 to the date the funds are released
- If they haven't done so already pay Mr M £100 in distress and inconvenience

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

Jeff Burch
Ombudsman