

The complaint

Mrs G complains that Paysafe Financial Services Limited (trading as Neteller) closed her account and removed funds from it without her consent.

What happened

Mrs G had an account with Neteller.

On 16 September 2022, Mrs G received €484 into her account, which Mrs G said was payment for a mobile phone she sold to an individual I will refer to as H.

The following day Neteller decided to review how Mrs G was operating her account and took the decision to send the payment Mrs G had received back to the senders account, H. Neteller didn't question Mrs G about the payment she received from H. Following this Neteller closed Mrs G's account immediately and released her balance to her.

Mrs G complained to Neteller and asked them to return the money it had returned to H back to her. She told Neteller that the transaction was legitimate and done in good faith. And said she was now out of pocket and without the phone she sold. In response, Neteller said it hadn't done anything wrong and wouldn't return the money to Mrs G. Unhappy with this response Mrs G brought her complaint to our service.

One of our investigator's looked into what had happened. And asked Mrs G for some more information about the payment that came into her account from H. Mrs G explained that she sold a phone to someone at a fair which was held close to where she lived. And that the phone she sold to H had been bought by a relative in April 2022. Mrs G sent the investigator an invoice in support of her explanation. She said that H must be a scammer and told their bank to recall the funds, which is wrong.

The investigator looked at the information Mrs G had provided and recognised that Neteller hadn't asked Mrs G for entitlement to the money that had been paid into her account. So, she didn't think it was reasonable the money was returned to source. She also didn't think Neteller had treated Mrs G fairly when it closed her account without notice. So, she asked Neteller to:

- Return the €484 plus 8% statutory interest, which had been returned to source back to Mrs G
- Pay Mrs G £100 compensation for the distress and inconvenience caused

Mrs G accepted the investigator's view. Neteller disagreed and asked for an ombudsman to review the complaint. It said it acted in line with the terms and conditions of Mrs G's account when it returned the payment back to source and closed the account.

As no agreement could be reached the matter has come 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.

The crux of Mrs G's complaint is that she wants Neteller to refund her the money she says she lost as a result of selling her mobile phone to H. Neteller decided to return the funds to the senders account, H. Neteller said it did this because it had concerns H may have fallen victim to a scam and may not even have been aware that the money had been sent to Mrs G account. So, it didn't think Mrs G was therefore entitled to the €484. The effect of Neteller's actions meant that Mrs G has lost both her mobile phone which she'd sold legitimately and the money she had expected in payment for it.

I've looked at Neteller's terms and conditions of Mrs G's account that refer to returning funds to source and they state:

Transactions are final and are not reversible save in the following circumstances and at our sole discretion: where we confirm there has been a Merchant error; where there is illegal activity involving your Account; or where you are in breach of these Terms of Use

If you conduct or attempt to conduct any transaction in violation of the prohibitions contained in this section 14 or without the necessary approval under section 14.5, we reserve the right to: reverse the transaction; and/or close or suspend your Account; and/or report the transaction to the relevant law enforcement agency; and/or claim damages from you; and charge you an administration fee as displayed in the "Fees" section of the Website if we apply any of the above.

Having considered the above term, there's no evidence to suggest Mrs G dishonestly procured the funds from H. Nor is there any evidence that she knew, believed, or suspected that the funds had been illegitimately procured by someone else in order to pay for the mobile phone which she sold. Despite this Neteller made the decision to return the payment back to the original source. But it's only fair for a financial business to return funds to source when they're completely satisfied a customer isn't entitled to the funds.

I think it would have been helpful if Neteller had asked Mrs G for proof of entitlement to the funds and to provide an explanation of how she came to be paid money from H. This is good industry practice and in line with the APP Best Practice Standards from UK Finance. I haven't seen any evidence that Neteller involved Mrs G in deciding that Mrs G wasn't entitled to the money paid into her account. Neteller hasn't advised that they received any contact from H raising concerns about the funds which entered Mrs G's account. So, I don't know how they satisfied themselves that Mrs G wasn't entitled to the money that she received from H. Neteller also didn't ask Mrs G for proof of entitlement to the funds. Our service has however, asked Mrs G for proof of entitlement to the funds. She hasn't provided much but has explained that she sold a mobile phone and given us an invoice showing she owned a phone to sell.

This service also hasn't, of course, investigated how H was using their account. Neteller's terms said that it was Mrs G's responsibility to ensure that she only received payments in compliance with any applicable laws and regulations. That included, in my view ensuring that she only received payments that were properly authorised (in this case) by the account holder H. If she received unauthorised payments, then they would be returned.

I've no reason to doubt what Mrs G has said about the funds, and in the absence of evidence to the contrary, I've no reason to think this isn't the case. On balance I'm satisfied the evidence Mrs G has supplied is enough to demonstrate she is entitled to the funds

deposited in her account. Overall, for the reasons I've outlined above, I'm not satisfied that I've seen enough evidence to justify Neteller applying the term outlined above. So, I think the fair resolution here, based on the information I've seen would be for Neteller to refund Mrs G € 484. I also think as Mrs G has been deprived of these funds since September 2022 Neteller should pay Mrs G 8% interest per annum from the date the funds were returned to the date they are refunded.

I next turn to Neteller's decision to close Mrs G's account. Neteller can close accounts in certain circumstances, and it sets this out in the terms and conditions of the account. Neteller say Mrs G failed its verification process. But it hasn't provided any evidence to support this. Having reviewed all the information, I would expect to see stronger evidence than it has provided. Taking this into account, I have seen nothing that convinces me an immediate closure was warranted or permitted under the terms and conditions. Having looked at what's happened here, I think Neteller should have given Mrs G more notice. Looking at the impact the immediate closure had on Mrs G, I think Neteller should pay her £100 compensation for the trouble and upset she's been caused.

In summary, Neteller's actions caused Mrs G trouble and upset. She was left out of pocket, and I don't think Neteller did enough to satisfy themselves that Mrs G wasn't entitled to the money paid into her account. So, I think they should refund her as she is now at a loss. And I think adding interest to the amount they refund her fairly compensates her for the loss of use of the money. I also think Neteller should pay Mrs G compensation for unfairly closing her account. I consider the amount of £100 to be appropriate in the circumstances.

My final decision

My final decision is that I partly uphold Mrs G's complaint. To put things right Paysafe Financial Services Limited should:

- Refund Mrs G €484
- Pay Mrs G simple interest at the rate of 8% per annum on € 484 from the date of debit until the date of refund.
- Pay an additional £100 for the trouble and upset caused by closing Mrs G's account immediately

HM Revenue & Customs requires Paysafe Financial Services Limited to withhold income tax from the above-mentioned interest. Paysafe Financial Services Limited should give Mrs G a certificate showing how much is taken off if Mrs G asks for one.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs G to accept or reject my decision before 15 November 2023.

Sharon Kerrison
Ombudsman