

The complaint

Mr E complains that PrePay Technologies Limited closed his business bank account without notice and withheld his funds.

What happened

Mr E had an account with one of PrePay's agents. For ease, within my decision, I'll only refer to PrePay.

On 13 October 2021 PrePay blocked Mr E's business account. On 15 October 2021 they closed his account and asked Mr E for a nominated account, and bank statement, to allow the return of his funds, £239.86.

Mr E complained to PrePay about their decision to close his account with immediate effect. But he wasn't satisfied with PrePay's response so Mr E brought his complaint to our service.

One of our investigator's looked into Mr E's complaint. In summary they thought PrePay didn't act fairly in closing Mr E's account without notice, and recommended he was compensated £100. But they thought PrePay acted fairly in not refunding his balance as he wasn't able to supply a statement for an account outside the PrePay group.

PrePay didn't accept our investigator's view, in response they argued that they had sufficient reasons to close Mr E's account without notice.

As PrePay didn't agree the case has been passed to me to decide.

On being allocated Mr E's decision I shared my initial thoughts with both parties. In summary I explained to PrePay that I didn't think they'd acted fairly in closing Mr E's account without notice.

I explained that I was satisfied that the initial block on 13 October 2021 was fair, however as PrePay should have provided Mr E the full 60 day notice period I recommended his funds were returned plus 8% and £200 compensation for the inconvenience caused.

Neither party agreed to my thoughts. In summary PrePay agreed to pay £200 compensation to Mr E, however they didn't accept my recommendation to return the account balance and 8% from the date of closure to the date of return. PrePay argued that they couldn't return the funds as Mr E didn't provide a suitable alternative bank account.

Mr E argued that the level of compensation wasn't sufficient for the impact on him from PrePay's actions. Mr E advised that he lost out on a lucrative contract with a large business as he didn't have an open business account.

I asked Mr E for further evidence of the lost contract, and details of the failed business account applications.

As neither party accepted my thoughts I've proceeded to issue my decision.

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.

PrePay have now accepted they didn't have sufficient evidence to close Mr E's account immediately. But for completeness I'll briefly consider PrePay's actions in closing Mr E's account immediately.

I can't see any evidence that PrePay reached out to Mr E to provide him with a chance to explain his account activity. Mr E explained that he was paying contractors for insulation and security. And he's provided invoices which fit the timeframe and amounts he withdrew. Having reviewed the invoices I'm satisfied that Mr E provided a satisfactory explanation for the large cash withdrawals on his account.

I've moved on to consider the restriction of Mr E's funds. I'm satisfied the initial block, on 13 October 2021, was fair. However on 15 October 2021 Mr E's account was closed immediately, which for the reasons I've already explained I think was unfair. If PrePay had given Mr E 60 days' rather than immediate notice, he'd have been given the chance to withdraw the funds - and wouldn't have lost access. PrePay have argued that Mr E didn't provide a suitable account for the money to be withdrawn too – however, if he'd been given 60 days' notice then Mr E would have been able to transfer or withdraw his funds into an account of his choosing during the notice period.

It follows, I think Mr E should be compensated for not having access to his funds since 15 October 2021. I think Mr E should be compensated 8% interest from the date of the closure to the date these are returned.

I've considered the impact of PrePay's actions on Mr E. Mr E's argued that he lost out on contracts because he wasn't able to get a new business current account. I asked Mr E for evidence of the lost contracts, and the declined business current accounts. Mr E provided a copy of an email he received from a business agreeing a contract for his services. However, he's not provided anything to show why he wasn't able to fulfil this contract – or why the loss of his PrePay business account led to him losing the contract. I understand this will be disappointing to Mr E, but having considered the evidence he's supplied I can't fairly conclude PrePay's actions led to him losing out on a lucrative contract – and therefore I won't be increasing the compensation I awarded in my initial thoughts.

Putting things right

I'm satisfied that Mr E experienced distress from PrePay's actions in withholding his funds and closing his account with immediate notice. I think £200 is fair compensation for the inconvenience caused in not having access to them.

My final decision

My final decision is I direct PrePay Technologies Limited to:

- Pay Mr E £200
- Pay Mr E £239.86 plus 8% interest from 15 October 2021 to the date the funds are returned.

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

Customs if appropriate.

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

Jeff Burch
Ombudsman