

The complaint

Z, a limited company, complains PayrNet Limited unfairly blocked and closed its account, and failed to return its funds.

What happened

Z opened an account with G, an agent of PayrNet for which they are responsible. For ease of reference, I'll refer to PayrNet from now on.

Z paid two large payments into the account from its account with a well-known online marketplace in October 2022. It made several debits including payments to a business credit card provider and ATM withdrawals.

PayrNet blocked Z's account at the beginning of November 2022, which Z's director noticed when he couldn't make payments. Z contacted PayrNet asking why its account wasn't working - it was further concerned because it needed to pay a supplier.

PayrNet emailed Z on 8 November 2022 and said it froze the account due to Z breaching its terms and conditions; the account would close, and funds would be returned to where they came from.

Z complained to PayrNet. PayrNet issued a final response letter in December 2022. They said their agent acted fairly and the account was reviewed in line with their legal and regulatory obligations. They expected the funds in the account to be returned to the originating accounts shortly. To date Z denies receiving its funds back to its account with the online marketplace.

Z brought its complaint to our service in February 2023. Our investigator upheld the complaint. They concluded:

- PayrNet failed to provide the information they needed to show they acted fairly towards Z and in line with their legal and regulatory obligations. They hadn't demonstrated why the account was blocked or how the account terms were breached. And, they hadn't shown they closed the account fairly in accordance with their terms.
- PayrNet told Z they were returning funds back to the originating accounts. But PayrNet haven't shown they did this, and Z says the funds weren't returned. So, it was unlikely the funds were returned.
- Z was incorporated in late 2021 and had invoices to pay. It likely held other accounts to mitigate against not having access to the funds PayrNet held. No evidence had been presented of unpaid invoices, loss of business or loss of favourable credit terms.
- Z was likely inconvenienced to some extent, so PayrNet should pay £100 for inconvenience to Z's business. It also should return the balance it held at the time of

the block to Z, plus 8% simple interest per annum from the time of the block to the time it pays Z.

Z accepted our investigators findings, but PayrNet didn't. As a result, Z's complaint has been passed to me to make a final decision as an ombudsman.

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 decided to uphold Z's complaint. I'll explain why.

PayrNet have important legal and regulatory obligations to meet when providing accounts to customers. Those obligations are ongoing and to these ends they may monitor accounts and carry out reviews. It's not uncommon for firms to restrict accounts when carrying out a review and they are not generally required to explain the basis of their review to a customer.

PayrNet are however required to provide our service with the information we require to investigate and answer a complaint. But despite multiple opportunities to provide the information they should hold and which our service requested, they failed to do so.

Under the Dispute Resolution Rules (DISP) which form part of the Financial Conduct Authority's handbook, I have the power to consider the failure of a party to a complaint to provide information in reaching my decision (DISP 3.5.9R (3)). I have exercised this rule in reaching my decision.

PayrNet failed to demonstrate they had a valid basis to block and Z's account, or to not return the funds directly to Z. No evidence has been presented by them to show Z breached the accounts terms or that the balance in the account was returned to the originating payment account(s). As a result, I've decided they treated Z unfairly and compensation should be awarded to Z.

Putting things right

Subject to Z accepting this decision by the deadline, PayrNet Limited need to:

- Pay Z the balance it held when they blocked Z's account, plus 8% simple interest per annum on that balance until they make payment. This is to make up for loss of use of the funds from the time of the account block.
- Pay Z £100 for the inconvenience it likely experienced to its business by not having access to the funds held in its account. I haven't seen evidence presented by Z which establishes it experienced inconvenience to warrant a larger sum.
- PayrNet should make the above payments to Z within 28 days of Z's acceptance of my final decision (should it be accepted) being communicated to PayrNet by our service.

My final decision

My decision is to uphold Z's complaint for the reasons I have given. PayrNet Limited need to pay Z compensation according to my instructions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Z to accept or

reject my decision before 12 February 2024.

Liam King
Ombudsman