

The complaint

Mr A complains that Prepaid Financial Services Limited (PFS), acting through an agent, withheld his funds after it closed his electronic money account.

What happened

Mr A had an account with one of PFS's agents. To keep things simple, I'll refer to PFS in this decision. In September 2021, PFS closed Mr A's account. PFS told Mr A that this was because of a breach of its terms and conditions. And PFS told Mr A that if he wanted to access the funds on the balance, he'd need to contact the sender of the funds to recall these directly from the sending bank account.

Mr A complained to PFS. PFS asked Mr A for information about what he'd been using the account for. Mr A said that the funds he'd received were from the sale of cryptocurrency – and that he didn't want the funds returned to the senders as he'd already transferred the crypto assets to them. PFS completed its review, but didn't change its decision. Dissatisfied, Mr A referred the complaint to us.

Our investigator looked at what happened. She thought the complaint should be upheld – and that Mr A should get his money back, with interest, to compensate him for the time he'd been out of pocket. She said PFS should reimburse some fees it had charged to Mr A's account. And thought that PFS should pay £250 to reflect the distress and inconvenience this caused.

PFS disagrees. It says it plans to hold onto the funds indefinitely. As we couldn't resolve matters informally, the complaint has been referred to me.

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 terms and conditions that apply to Mr A's account say PFS can terminate the agreement and suspend the use of payment services with prior notice of at least 2 months. In some cases, it can do so immediately. Based on everything I've seen, I'm satisfied PFS was acting in line with the terms and conditions when it closed Mr A's account.

PFS has, however, refused to allow Mr A to withdraw the remaining balance held in the account. Based on what I've seen, Mr A had €2,813.45 in his euro wallet and £157.87 in his GBP wallet. PFS says it won't allow Mr A to withdraw these amounts – it says its policy is to hold the funds indefinitely and that Mr A should ask the senders of the funds to recall them from their banks.

We've asked Mr A about that. He says he was buying and selling cryptocurrency using a peer-to-peer service offered by a cryptocurrency exchange. This service allowed Mr A to place orders to buy and sell cryptocurrency. The counterparty would send funds directly to Mr A's account with PFS, and then Mr A would confirm receipt of the funds and release the

asset. Mr A has sent us screenshots showing details of these transactions.

I can see that Mr A might have real difficulties getting the senders of these funds to recall these through their respective banks: Mr A doesn't personally know any of these senders, who he only has contact with through the cryptocurrency exchange platform. Finally, I note that, when asked, Mr A provided evidence of these transactions to PFS.

I'd only expect PFS to withhold these funds if it was satisfied Mr A wasn't entitled to them. I acknowledge the concerns PFS has about Mr A's use of the account. But I'm not persuaded it's fair for PFS to retain these funds. These appear to have been the proceeds of genuine cryptocurrency transaction, and Mr A would otherwise end up in the position of having lost both the crypto asset and the funds he received for selling them.

Putting things right

PFS should now pay Mr A the outstanding balance on the accounts.

It should also pay simple interest – the rate is 8% simple - from the date it closed Mr A's account until the date he gets the money back.

If HMRC requires PFS to deduct tax from this interest, PFS should tell Mr A how much its taken off. It should also send Mr A a tax deduction certificate showing how it worked this out if he needs one.

PFS should remove any fees it has charged to the account since closure.

Finally, I think that this has caused Mr A stress and inconvenience. I award £250 to reflect the impact this caused.

My final decision

I uphold the complaint. Prepaid Financial Services Limited should put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 20 March 2024.

Rebecca Hardman
Ombudsman