

The complaint

Mr M complains that PrePay Technologies Limited returned the funds in his electronic money account to their senders after it closed his account.

What happened

Mr M had an account with one of PrePay's representatives. To keep things simple, I'll just refer to PrePay in this decision.

In May 2023, PrePay contacted Mr M to say it had some concerns about his account. It asked Mr M to provide information about the source of his income, his occupation, and what he was using the account for. Mr M provided some information about this. PrePay then asked for details of two payments into Mr M's account. At first Mr M said these payments were from the sale of goods to friends. But when PrePay asked for more information about these transactions, it emerged that Mr M was selling cryptocurrency on a peer-to-peer cryptocurrency exchange. PrePay completed its review. It decided to close Mr M's account with immediate effect. At the same time, PrePay said it would freeze the outstanding balance and return the funds to the last remitter, where appropriate.

Mr M complained to PrePay. PrePay said that it believed Mr M wasn't using the account in line with its terms and conditions. It confirmed that it had returned the funds in the account to the last remitters where appropriate. But it couldn't give Mr M any further information in relation to the account closure. It said it was acting in line with the terms and conditions of the account. Dissatisfied, Mr M referred his complaint to us.

Our investigator looked at the complaint. He didn't think PrePay had acted fairly. He recommended PrePay return the funds, pay interest to compensate Mr M for the time he'd been out of pocket, and pay £150 for the inconvenience it caused. PrePay doesn't agree. The complaint has 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.

The crux of this complaint is whether PrePay acted fairly when it returned the remaining funds in Mr M's account to source.

The terms and conditions that applied to Mr M's account said that payments coming into the account may not be credited to the account in certain circumstances – and where PrePay does this it can send the funds back to the sender without notifying Mr M. PrePay were also able to take funds back out of the account if it was paid in by mistake. Otherwise, any balance remaining on the account following closure would remain on the account and could be withdrawn. Finally, the terms and conditions allowed PrePay to close the account if it gave Mr M two months' notice. In some circumstances it could do so immediately. In this case, PrePay closed the account immediately.

In this case, PrePay contacted Mr M saying they had concerns about his account and wanted to ensure he wasn't at risk of fraud, breaches of financial regulations or breaches of its term and conditions of use. It asked Mr M about his source of income, his occupation, and what he'd mainly use his card for. Mr M told PrePay he was planned to use the card to receive his wages and to receive money from "family and friends" – and that he'd use the card for shopping, travel, and paying off his credit card.

PrePay then asked Mr M for details of two payments into the account. The first was a payment of £770. The second was a payment of £500. They took place two days apart in May 2023.

Mr M said these transactions were "from friends for exchange of goods". PrePay then asked for details of the goods. Mr M sent screenshots from the senders' internet banking: both had the names of the payees as the reference; one said the payment purpose was "paying a friend". PrePay asked Mr M to provide more details about the exact goods and for proof that they'd received what they'd paid for.

Mr M replied with screenshots from a peer-to-peer cryptocurrency trading platform. These showed that both payments related to the sale of a cryptocurrency stablecoin. Mr M provided a photo showing an ID document for one of the purchasers alongside a note confirming he wished to purchase the cryptocurrency. Mr M also provided screenshots of a chat with the other purchaser. This shows that the purchaser marked the order as paid and asked Mr M to release the asset.

PrePay then asked Mr M for confirmation that the purchasers had received what they'd paid for. Mr M told PrePay that the purchasers weren't online, but the platform wouldn't complete the transaction unless they received the asset. PrePay then completed its review and decided to close the account with immediate effect – and said it would return the funds to the senders.

I therefore need to consider if what PrePay did was fair.

Based on what I've seen, I'm satisfied these payments related to the sale of cryptocurrency. The platform allowed Mr M to sell cryptocurrency to a counterparty in exchange for pounds sterling, which the counterparty paid directly into Mr M's account with PrePay. Once Mr M received the payment, he could then release the digital asset to the counterparty. And I'm satisfied these transactions completed successfully.

I can see why PrePay might have had concerns about the way Mr M was using his account. Mr M initially claimed these payments were from friends and family. In fact, these payments came from counterparties on the peer-to-peer trading platform – Mr M doesn't otherwise appear to have had any connection to these counterparties. And based on the screenshots I've seen, Mr M appears to have told the purchasers not to mention words relating to cryptocurrency or the name of the trading platform in the payment reference.

Mr M also appears to have been aware he was at risk of being the victim of fraud. I note Mr M took steps to mitigate this risk: he warns the purchasers to check that they're not dealing with a scammer, and asks the counterparty to agree they won't call back the funds. He also requires the purchasers to provide ID documents, and to make payments from bank accounts in their own names.

With all this in mind, I accept that PrePay had grounds to close Mr M's account and could do so immediately.

But I'm not persuaded PrePay should have returned the funds to the sender.

As I've said, I'm satisfied these payments related to the sale of cryptocurrency. In return for the funds, Mr M gave up the cryptoassets. Mr M appears to have given up the cryptoassets in good faith, and for value. I can also see that Mr M might face real difficulties recovering any funds returned to the third parties: he had no contact with these third parties outside the cryptocurrency exchange platform. I've seen screenshots from the platform stating that these transactions cannot be reversed. So PrePay's acts meant he'd have lost both the digital asset and the funds he'd received in exchange for them.

The payments were credited to Mr M's account. It appears the purchasers intended to purchase the cryptocurrency – these payments don't appear to have been made by mistake. So it's not clear that the terms and conditions that applied allowed PrePay to return the funds to source in these circumstances. And PrePay didn't ask Mr M about the other funds paid into the account – so I don't accept PrePay had grounds to return these either.

I acknowledge that when PrePay first asked Mr M for information about these transactions Mr M said the transactions were "from friends" for "exchange of goods". But I also see that when PrePay then asked further questions Mr M provided screenshots from the trading platform. So PrePay would have understood the true position at the point it decided to close the account and return the funds.

Given everything I've seen, I accept that PrePay could close Mr M's account. I am not, however, satisfied that PrePay could fairly return all the funds in the account to the senders, given they were the proceeds of genuine crypto transactions. With all this in mind, I uphold the complaint.

Putting things right

I'm satisfied the funds were the proceeds of genuine cryptocurrency transactions – and that Mr M hasn't been able to get these back. PrePay Technologies should pay Mr M the value of the funds in the account at the point it returned these to the sender.

PrePay Technologies should also pay simple interest – the rate is 8% per year – on this amount from 25 May 2023 until Mr M gets it back. If HMRC requires PrePay Technologies to withhold tax on this interest it should let Mr M know and provide a tax deduction certificate showing how this was calculated should he want them.

Finally, I can see that losing access to the money in these circumstances would have caused inconvenience to Mr M. PrePay Technologies should pay Mr M £150 to reflect the trouble and upset this all caused.

My final decision

For the reasons above I uphold this complaint. PrePay Technologies 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 M to accept or reject my decision before 15 April 2024.

Rebecca Hardman
Ombudsman