

The complaint

Mr D complains that PayrNet Limited failed to release £151 of his funds. He'd like these funds returned.

What happened

Mr D had an account with an agent of PayrNet. For ease I'll just refer to PayrNet in my decision.

Both PayrNet and Mr D are aware of the facts of this case, so I've briefly summarised them below.

On 29 August 2022 Mr D's account was restricted. Between 29 August 2022 and 31 August 2022 PayrNet asked Mr D to provide proof of entitlement for the funds in his account and evidence of why he was receiving benefit payments. Mr D supplied several documents including screenshots of payments being sent into his account and identification documents. But PayrNet weren't satisfied with the evidence Mr D supplied. So they sent Mr D's funds to who they believe were victims of fraud.

Mr D wasn't happy with PayrNet's actions in failing to release £151 to him. And not returning the £151 to source. So he brought his case to our service. On doing so he was represented throughout the case – for ease I'll refer to any comments from Mr D's representative as though they were from Mr D himself.

One of our Investigators looked into Mr D's complaint. PayrNet argued that the funds in Mr D's account were from benefits payments which Mr D hadn't evidenced entitlement to.

Our Investigator initially thought that PayrNet had acted fairly in returning the funds to source. Mr D didn't accept our Investigator's conclusion – and argued that if PayrNet had decided to return them to source why didn't they send them to Mr D's partner as she'd transferred the funds in.

On re-reviewing the evidence our Investigator thought that PayrNet hadn't asked Mr D the right questions about his proof of entitlement. And they also hadn't returned the funds to source as he might have expected them to do. They recommended that PayrNet pay Mr D £151.

Mr D accepted our Investigator's recommendation. But PayrNet didn't. In response they argued they'd acted fairly in returning Mr D's funds to source. And asked for an Ombudsman to reconsider the conclusion.

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

On picking up the case I asked Mr D for more evidence about the source of the funds into the account. Mr D explained that the funds were his partner's savings – and they were transferred in from her account with a third party bank, I'll call Bank T, via PayrNet then to Mr D's PayrNet account. However, Mr D wasn't able to supply direct evidence of the transfer

from Bank T to his partner's PayrNet account.

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.

PayrNet are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They're also required to carry out ongoing monitoring of new and existing relationships. That sometimes means they need to restrict customers' accounts – either in full or partially while they carry out their review. Having looked at what's happened here I appreciate why Mr D may have found this inconvenient, but PayrNet must ensure they keep their due diligence checks updated at all times. It follows I'm satisfied PayrNet's initial decision to restrict Mr D's account, and later to close it without notice, was fair.

Mr D's main complaint here is regarding PayrNet's actions in returning his funds to source. So that's what I'll focus on in my conclusions.

As part of their review, PayrNet asked Mr D for detailed information about the money in his account and where it came from – which they're entitled to do under their obligations. But, having reviewed what PayrNet asked for, I'm not sure the questions accurately focused on the source of the funds in Mr D's account. Part of PayrNet's questions focused on asking Mr D for evidence of his benefit payments – but the funds remaining in Mr D's account weren't sourced from there. And it seems, their initial decision to not release the funds to Mr D was mainly based on this.

I've reviewed the evidence Mr D's provided for the source of the funds in his account. On 29 August 2022 Mr D received a payment of £151 from his partner's account with PayrNet, and this was the source of the remaining funds in Mr D's account. Mr D's advised that the payment was sourced from his partner's savings – and was sent in via her PayrNet account to him due to PayrNet's payment limits on incoming transfers from external accounts.

I can see Mr D's shared a copy of the payment from his partner's account, and several statements from his partner's account with Bank T where he argues the funds were originally sent from.

Although I have a copy of some of Mr D's partner's statements with Bank T, I'm unable to see the specific transfer used to fund the £151, later moved on to Mr D. I asked Mr D for evidence to show where the funds came from – but he advised me that his partner's account with Bank T is now closed. And she can't access any further statements. This means I can't be sure that the funds in Mr D's account were fully funded from his partner's account with Bank T.

But, I can see payments from Bank T to Mr D's partner's account just prior to the time the £151 was received. And for this reason I find it likely, on balance, Mr D's partner did transfer the funds from her account with Bank T to PayrNet before moving them on to Mr D.

In reaching my decision about whether PayrNet acted fairly, I've also considered PayrNet's reasons for not releasing the funds. Usually when funds are returned to source I'd expect to see a business receive a fraud report, and later an indemnity requesting return of the funds. And if their customer hasn't been able to supply sufficient proof of entitlement for the allegedly fraudulent funds for them to then be returned to source. But, in Mr D's case this didn't happen. PayrNet *didn't* receive a fraud report, or an indemnity for the £151 in Mr D's account – and they also *didn't* return the funds to the original source, Mr D's partner. Taking these factors into account and all of the documentation Mr D's provided, on balance I think

Mr D's shown sufficient entitlement to the funds. And they should be returned to him.

On deciding that Mr D wasn't entitled to the funds PayrNet argue they made a decision to return his funds to source. But, it doesn't appear this is the case. If PayrNet had returned the funds to source I'd have expected the funds to all be sent to Mr D's partner's account with Bank T – but PayrNet have confirmed that wasn't the case. In their most recent correspondence with our service PayrNet have accepted their error here – confirming that they should have returned all of the funds to Mr D's partner's account with Bank T.

Putting things right

For the reasons I've outlined above I don't think that PayrNet acted fairly when failing to release Mr D's funds. I'm satisfied that PayrNet should refund £151 to Mr D.

I've thought about whether 8% interest should be awarded on the funds in Mr D's account. Our investigator didn't think 8% should be awarded – and I'm in agreement here with them here. I'm satisfied that Mr D could have provided more evidence when requested by PayrNet – including evidence of his benefit payments. I'm also a little unclear about the purpose of the funds and ultimately whether they belonged to Mr D or Mr D's partner. This means I can't fairly conclude if the person who's lost out here is Mr D or his partner. And I can't compensate Mr D for his partner being without the funds. For this reason I won't be directing PayrNet to pay 8% interest on the funds in Mr D's account at the time of closure.

My final decision

My final decision is I uphold Mr D's complaint and direct PayrNet Limited to:

- Pay Mr D £151

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 24 April 2024.

Jeff Burch
Ombudsman