

The complaint

A charity I'll call L complains that PayrNet Limited (Pockit) blocked then closed its account, and declined to return the account balance.

L is represented by Mrs M.

What happened

On 9 December 2021, Mrs M noticed L's account had been blocked. She tried to contact Pockit to find out what was happening, but couldn't as she said Pockit's communication was poor. Mrs M eventually received an email dated 14 January 2022, which said L's account had been closed. Pockit then issued a final response letter dated 22 January 2022, saying it was entitled to restrict accounts in accordance with its terms of business and that it couldn't say how long its review would take.

Because Pockit didn't resolve L's complaint, Mrs M brought it to our service. Our investigator looked at the complaint, but she didn't uphold it. Having reviewed the evidence, she wasn't satisfied Pockit had made an error in blocking and closing the account, or in withholding the funds. Mrs M didn't accept our Investigator's findings, so she asked for an Ombudsman to review the matter afresh.

On 21 March 2024, I issued a provisional decision. In it, I said:

"Firstly, I should say that I'm aware I've summarised the events of this complaint in far less detail than the parties, and that I've done so using my own words. The reason for this is that I've focussed on what I think are the key issues here, which our rules allow me to do. This approach simply reflects the informal nature of our service as a free alternative to the courts. And I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome in this case. So, if there's something I've not mentioned, it isn't because I've ignored it, and I must stress that I've considered everything both Mrs M and Pockit have said, before reaching my decision."

Account block

All financial businesses like Pockit in the UK are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. That sometimes means they need to restrict customers' accounts while they carry out a review.

So, in order to make an award in favour of L, I would need to be satisfied that Pockit acted unfairly or took actions it wasn't entitled to take. Having looked at the evidence it relied on in reaching its decision, I'm satisfied Pockit acted in line with its legal and regulatory obligations when it blocked L's accounts. And that it was entitled to do so under the account terms and conditions that governed the relationship between Pockit and L.

Mrs M also complained at Pockit's lack of communication during its review, so I've looked to see if Pockit caused any unreasonable delays. Pockit has sent our service evidence of the actions it undertook including its communications with Mrs M during this review and, having

considered the same, I'm satisfied Pockit didn't cause any unreasonable delays.

Part of the review took place over the Christmas break, which would have caused delays, but I don't hold Pockit responsible for that. And while I can see Mrs M asked for an update several times without reply, I won't ask Pockit to pay L compensation. Even if Pockit had replied, it wasn't obliged to give L more information and it couldn't set an accurate timescale for completion of the review. So Pockit's lack of communication didn't affect what Mrs M would have found out, had Pockit replied.

I recognise this would have been frustrating and inconvenient for L, but because Pockit was entitled to block the account while it carried out the review, I won't ask it to compensate L for any problems caused by the block.

Account closure

A financial business such as Pockit is entitled to close an account with a customer, so long as it does so in a way that complies with the terms and conditions of the customer's account. S21 of the terms of business that governed the relationship between Pockit and L provides for the circumstances in which Pockit can end its relationship with L. It says Pockit can do so by providing 60 days' notice, or without notice in certain circumstances.

And, having reviewed the evidence Pockit has provided in support of its decision to close L's account, I'm satisfied it was entitled to do so in the manner it did. Again, I recognise this would have caused L problems, but because I'm not persuaded Pockit made an error or treated L unfairly, I won't ask it to compensate L for closing its account.

Account balance

As part of Pockit's review of L's account, it returned a payment of £50,000 into L's account, to the sender and told L it had done so. It also returned the rest of the funds in L's account (£3,335.17) to source, but it didn't tell L it returned those funds. I asked Pockit to explain why it returned the £3,335.17 to source, and Pockit replied setting out its position. Because Pockit isn't obliged to disclose its reasons to L, I won't repeat them here. However, I have thought about what Pockit said in the context of whether it was appropriate to return the funds in the account to source. And I've looked at the terms and conditions of the account that govern this situation. And having done so, I'm not persuaded that Pockit has justified its decision to return the funds to source, particularly given it didn't tell L it had done so.

The account terms and conditions say that Pockit reserves "the right to return any funds held in your account either back to the senders of the payments or to Account Holder subject to satisfying the conditions in Section 20.3". Section 20.3 refers to what happens to the funds in L's account when it cancels the account, so is not relevant here.

While Pockit has a right to return account funds to source on closure of that account, I must consider whether or not Pockit has acted fairly and reasonably in exercising that right. And because Pockit hasn't provided sufficient justification to explain its concerns with returning those funds to L, I don't consider its decision to do so was fair and reasonable.

Notwithstanding that, because over two years has passed since Pockit returned the funds, L wasn't able to recover them from the senders when I told Mrs M what had happened to the funds. And even if I was satisfied Pockit had acted fairly and reasonably in returning those funds to source, I've seen no reason it couldn't have told L it had done so back in January 2022. And by declining to explain the position to L, I consider L has lost the opportunity to recover the funds from the senders.

With that being the case, I'm minded to tell Pockit to pay L £3,335.17, being the sum L has lost because of Pockit's errors. Mrs M did ask our service to award compensation for the distress and inconvenience this situation caused L, so I've thought about what compensation would be appropriate in the circumstances.

Because Pockit's customer is L, not Mrs M, I can only tell Pockit to compensate L and not Mrs M. And because a charity can't experience distress, I can only make an award for any inconvenience L experienced as a result of Pockit's errors. Further, because I'm satisfied Pockit was entitled to block, review and close L's account, I won't make an award for any inconvenience L experienced as a result of those matters.

However, I do consider that L would have suffered a loss as a result of being deprived of £3,335.17 for over two years. So, to compensate L for being deprived of those funds, I'm minded to award simple interest at the rate of 8% from 14 January 2022 (being the date Pockit returned the account funds to source) up to the date of payment.

In addition to compensation for being deprived of access to its funds, I'm minded to award £200 in recognition of the inconvenience that caused L. That figure reflects the time L's trustee's attention was diverted to chasing Pockit for the money."

L accepted my findings, but Pockit didn't. It explained why it had returned the account funds to the senders, but agreed it should have told L it had returned those funds sooner than it did, and agreed to my finding that it should pay £200 plus interest at the rate of 8%. But it felt L could have recovered the missing funds.

In response, I sent Pockit details of the steps L took to recover the missing funds and I asked Pockit to tell me if it accepted my provisional findings, and if not, to submit any final representations before 26 April 2024. However, Pockit didn't reply before the deadline.

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.

When I asked L to demonstrate the steps it had taken to recover the 5 payments after I'd told it Pockit had returned the money to sender, it sent me evidence of its recovery attempts. The first payment was for £0.01, so was not economically viable to pursue. The next was a donation of £500 from a member of the public who had since donated the same amount to a different charity, so didn't wish to donate again to L. The third was a payment of £704.57, which was received from an aggregating website that the website could not trace.

The penultimate payment was from L's website provider that couldn't be traced and was likely made up of numerous donations from several parties, which would have made further tracing efforts time consuming and impractical. And in any event, I take the view that it is more likely than not that the parties approached would likely not wish to donate again given the time that had passed and the worse state the economy is currently in.

And the final payment was for 83.33 from an IT company. L made enquiries of the IT company, who wasn't able to trace the payment based on the details available. Given the low value, I take the view that it's not economically viable for L to continue to make enquiries regarding that payment. If it were to do so, it would incur inconvenience in excess of the sum in question, which Pockit would have to pay.

For the reasons I set out above, and for the reasons I refer to in my provisional findings, my final decision is that Pockit must reimburse the sum of £3,335.17, pay 8% interest as

directed in my provisional decision, and pay £200 in recognition of the inconvenience caused to L.

My final decision

My final decision is that PayrNet Limited must pay L:

1. £3,335.17;
2. Simple interest at the rate of 8% on the above sum from 14 January 2022 until the date of payment; and
3. £200 in recognition of the inconvenience L experienced as a result of PayrNet's errors.

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

Alex Brooke-Smith
Ombudsman