

The complaint

Mr T complains that Modulr FS Limited closed his account and removed funds that belonged to him when doing so.

What happened

Mr T had been engaging in some peer-to-peer cryptocurrency transactions through a cryptocurrency platform. He'd sell cryptocurrency in return for cash, which was transferred into his Modulr account.

Mr T had successfully completed a few transactions, but then there was a problem with one. One of the buyers of his cryptocurrency appeared to have sent him money from an unconnected party's account. Mr T questioned the buyer why he'd done this as he knew it was against the terms and conditions of the cryptocurrency platform. It led to his account there being blocked.

It later transpired that Mr T had become unwittingly caught up in a scam. The person buying his cryptocurrency looks to have been running a scam with the false sale of a television on social media. That other victim raised a scam claim with their own bank, which in turn led back to Mr T's account with Modulr, as that's where the funds had gone.

Modulr froze Mr T's account on receipt of the scam notification. It then decided to close his account. As part of doing so, it reversed all of the transactions that had recently been made on his account, even those with no dispute attached to them. It said it did so in line with its terms and conditions.

Mr T complains that this has meant his genuine peer-to-peer trading has been interrupted and he's lost out as a result.

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.

Having done so, I'm upholding it. I'll explain why.

I understand Modulr has sought to rely on its terms and conditions to explain why it returned funds to the parties that had sent them to Mr T's account. The relevant sections of those terms and conditions state:

20.3 To close your account any outstanding balance must be returned to the Account Holder. This has to be done via transfer to a UK bank account. We reserve the right to request proof of the recipient account or address. We reserve the right to return funds back to their source in the event the Account Holder fails to provide an UK bank account and satisfactory proof of the account in a timely manner and to which we are satisfied.

21.7 We reserve 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.

It's then clear that Modulr has established in its terms and conditions the right to return funds to the sender, even if Mr T might not specifically authorise such payments. But I'm not persuaded it is fair and reasonable for Modulr to unilaterally do so here.

There is significant and persuasive evidence which shows:

- Mr T was legitimately involved in peer-to-peer cryptocurrency trading;
- That the trading was largely successful, with no disputes arising on other transactions and other parties involved confirming them as successful;
- Mr T was unwittingly brought into a scam through the actions of a nefarious and unknown third-party;
- There's nothing to suggest Mr T was involved in the television sale scam.

I've not seen persuasive evidence to show Modulr carried out a fair and reasonable investigation to ascertain what might have happened here. And that's despite the fact Mr T could – and indeed has – clearly explain what had happened and provide supporting evidence. And so it seems much of what has happened could have been avoided if Modulr had acted as it fairly and reasonably ought to have done.

I'm then satisfied Modulr has acted unfairly and unreasonably here and that its actions have caused Mr T both financial loss and material distress. It should compensate him in such circumstances.

Putting things right

On Mr T's acceptance, Modulr should:

- Repay Mr T his total loss, that being the sum of the payments returned to the original senders. My understanding is that £10 of the total went to one of Mr T's own accounts and so needn't be included. I further understand no cryptocurrency was released regarding the scam payment, and so there isn't a loss attributable to the £50 concerned.
- Pay interest on that sum at 8% simple per year, calculated from the date Modulr debited Mr T's account to the date settlement is paid; *and*
- Pay Mr T £150 for the distress and inconvenience suffered.

Mr T should provide the account details he would like redress paid to, should he accept this final decision.

My final decision

I uphold this complaint against Modulr FS Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 27 February 2025.

Ben Murray

Ombudsman