

## **The complaint**

A limited company, B, complains that PayrNet Limited (as the recipient account provider) didn't do enough to prevent the loss it suffered when it fell victim to what it says was a scam.

Mr M (B's director) brings the complaint on its behalf and has used a representative when doing so. But for ease of reading, I'll mostly just refer to Mr M where I also mean B and the representative.

## **What happened**

The detailed background to this complaint is well known to both parties. So, I'll only provide an overview of some of the key events here.

Mr M alleges that in 2023 he was the victim of a scam. The nature of Mr M's business is that he would provide workers to clients. He says he worked with a third party (Mr S) to organise workers and in return he would receive a cut of the profits.

Between May and June 2023, Mr M sent nearly £100,000 to Mr S' company. This account was held with PayrNet. Mr M says he later found out that Mr S had been falsifying invoices and that some of the genuine work he'd paid for, hadn't been completed. He alleges he's been scammed.

PayrNet say they initially told Mr M he would need to report this through his own bank. In December 2023 Mr M complained to PayrNet, who didn't offer any redress and again said they would liaise directly with Mr M's bank when a report was made. The matter was referred to our service and one of our Investigators didn't recommend the complaint should be upheld. In summary she didn't think they'd acted unfairly.

Mr M doesn't accept this and has asked for an Ombudsman to review his complaint.

## **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've reached the same outcome as our Investigator and for similar reasons. I know this will be disappointing for Mr M, so I'll explain why.

Firstly, whilst I acknowledge Mr M's allegations, it isn't entirely clear whether all the money he sent to this account was part of an alleged scam or whether some staff were genuinely supplied in line with that was expected. But I don't need to determine this to fairly resolve this complaint. I'm not making a finding that Mr S was operating a scam, because even if he was, for the reasons I'll come to, it doesn't impact the outcome of this complaint.

Even if it could conclusively be shown that Mr S was operating a scam, in the circumstances here, this wouldn't automatically entitle Mr M to reimbursement from PayrNet. It would still

only be fair and reasonable for me to direct that redress should be paid if there were errors by PayrNet which could fairly be said to have caused the loss.

I've reviewed the account opening process and I'm satisfied PayrNet correctly opened the account that received Mr M's payments. I don't think there was anything at that point where they reasonably could've known that the account they were opening would later be used in connection with an alleged scam. I note Mr M's point about a blog post which reports that a warrant had been issued for Mr S' arrest in connection with a fraud matter in 2013. But PayrNet were only required to verify the identity of the accountholder, not to search online for information as a matter of course. So this doesn't change my mind as to whether the account should've been opened.

The account had been open and operating in line with what might reasonably be expected for an account of this type for almost a year before any of Mr M's payments arrived in the account. There also wasn't anything in the activity during that time where I think PayrNet failed in such a way that I could fairly say it was the cause of Mr M's loss. The activity didn't appear suspicious or indicative of a potential problem. However, as our Investigator has pointed out, during that time, PayrNet periodically asked their accountholder about activity on the account (in line with their obligations to perform ongoing due diligence). And when this happened, evidence and an explanation was provided. The evidence and explanation provided was plausible and I wouldn't have expected PayrNet to have done more than they did. So, I don't think there was a failing by PayrNet in this regard.

Similarly, the payments from Mr M would've appeared to be intended for the accountholder. There wasn't anything unusual or suspicious about them (or the way in which they left the account). This is in the context of what PayrNet knew about their customer and the established pattern of how the account had previously operated. Following many of the incoming payments from Mr M, there were multiple outgoing payments with references such as 'wages' and 'expenses' which went to various individuals and would broadly be in line with payments being made to staff. And even if any of these payments should've been challenged, it's likely the same or similar allegedly fraudulent invoices would've been provided at the time. We know the accountholder readily engaged and explained the activity on the account when asked. And I don't think PayrNet would've had sufficient reason to doubt what they likely would've been told at the time.

I'm also satisfied that it was appropriate for PayrNet to direct Mr M to make a report through his own bank after he'd contacted them directly. This is standard industry practice. And by that point, all the money Mr M had sent to the account had already been spent. So it didn't impact whether there could've been any recovery of the same. So I don't think anything PayrNet did or didn't do once informed of the allegation, impacted the loss suffered by Mr M.

I'm sorry Mr M has lost money, but in the circumstances of this complaint I don't think PayrNet have acted unfairly. And there isn't therefore a reasonable basis upon which I can require them to do more to resolve this complaint.

### **My final decision**

For the reasons outlined above, my final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask B to accept or reject my decision before 31 March 2025.

Richard Annandale  
**Ombudsman**