

## **The complaint**

Mr K complains PayrNet Limited ("PayrNet"), trading as Sodexo, closed his account and removed the reward-based funds he'd built up.

To put things right, Mr K wants the funds returned to him.

## **What happened**

The details of this complaint are well known by both parties, so I won't repeat them again here in detail. Instead, I'll focus on setting out some of the key facts and on giving my reasons for my decision.

Mr K took out a reward card with a company I will refer to as "D". Mr K was selling D's goods and as a reward, D would top up his card with funds. D decided to wind down its commercial operations in the UK in early 2023. In April 2023, PayrNet say it wrote to all its customers who had D's Rewards Programme card that the programme was closing, and it was giving them 60 days' notice.

Mr K contacted PayrNet in July 2023 as he was unable to access his account. He was told that as D's programme was now closed, any unspent funds were now lost. PayrNet said it had informed all customers of this decision and the account closed in June 2023.

Unhappy, Mr K complained. PayrNet didn't uphold his complaint. In summary, the key points it made were:

- PayrNet notified all cardholders in April 2023 that their D account would close in June 2023
- As most of Mr K's funds were credited by D, they are classed as company loaded funds. This means he has no right to redeem any unspent funds once the programme closed. This is in line with section nine of the terms and conditions of the account
- Section 9.1 of the terms say "If you would like to terminate your Card and redeem any Personally Loaded portion of the Available Balance, you can do so by calling Customer Services. Please note that you do not have the right to redeem any Company Loaded funds"

Mr K referred his complaint to this service. One of our Investigator's looked into Mr K's complaint, and in response to their request for more information, PayrNet said it was explicitly stated in the contract that any remaining corporate funds on cards after expiry will belong to it. The funds were therefore taken in the form of fees.

Our Investigator recommended the complaint be upheld. In short, they reached this finding because:

- They thought that though PayrNet had notified Mr K the programme was closing, no information was provided about what would happen to the funds thereafter
- The letter only refers to customers no longer being able to load new funds onto the card. So PayrNet failed to make it clear Mr K wouldn't be able to make purchases after the closure
- The terms and conditions of the programme don't explain what will happen to customer funds after closure. And though PayrNet has explained the funds were corporate loadings, this shouldn't prevent Mr K from receiving funds he'd earned, and which hadn't been returned to the corporation. So the funds should be refunded to Mr K

PayrNet didn't agree with what our Investigator said. Some of the key points it made in response were:

- Terms and conditions were provided to Mr K in line with the provisions of the Electronic Money Regulations 2011. And the terms of the account said a customer doesn't have the right to redeem any company loaded funds
- PayrNet are under no obligation to inform a customer about any sensitive or private business arrangements with D
- The letter of closure was clear in that it says the rewards programme will end in May 2023 – and the complainant will be able to spend any balance on the card up to and including that date. The word 'end' is definitive and unequivocal

Our Investigator explained that the redemption terms PayrNet referred to aren't applicable as Mr K isn't redeeming the funds – the programme is closed and so he wouldn't be able to use the funds he had saved. And the closure notification didn't set out Mr K wouldn't be able to use the funds after the programme closed. As it was unclear, Mr K was deprived of the opportunity to use the funds. Had Mr K been made aware he wouldn't have access to the funds, he would've released them before the closure.

PayrNet disagreed and said the terms and conditions in relation to corporate loaded funds are clear and so Mr K is not entitled to them. To support its position, PayrNet highlighted the following terms:

- 9.1 - If you would like to terminate your Card and redeem any Personally Loaded portion of the Available Balance, you can do so by calling Customer Services. Please note that you do not have the right to redeem any Company Loaded funds.
- 17.1.1 - We will give you 2 months prior notice and refund the Personally Loaded portion of the Available Balance to you without charge;
- 18.1 Our liability in connection with this Agreement for whatever reason (whether arising in contract, tort (including negligence), and breach of statutory duty or otherwise) shall be subject to the following exclusions and limitations:
- 18.1.1 we shall not be liable for us breaking any term of this Agreement or any default whether resulting directly or indirectly from any cause beyond our control, including but not limited to lack of funds, and/or failure of network services and data processing systems;
- 18.1.6 in all other circumstances where we are in default, our liability will be limited to redemption of the Personally Loaded portion of the Available Balance remaining on your Card

As there was no agreement, this complaint was passed to me to decide. I then sent both parties my provisional decision in which I said I was planning on upholding this complaint in part. For ease of reference, here is what I said:

#### Provisional decision

*"I'm very aware that I've summarised the events in this complaint in far less detail than the parties and I've done so using my own words. No discourtesy is intended by me in taking this approach. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.*

*If there's something I've not mentioned, it isn't because I've ignored it. 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. I do stress however that I've considered everything Mr K and PayrNet have said before reaching my decision.*

*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 am planning on upholding this complaint in part. I'll explain why.*

*PayrNet was entitled to close the account in the way it did by giving Mr K two months' notice of its intention to do so. Both parties are aware this was because D were winding down its UK operation and business. So, I'm satisfied PayrNet were exercising a legitimate commercial discretion.*

*That bring me onto the crux of this complaint. That is, have PayrNet acted fairly and reasonably by not releasing the funds Mr K had built up in the account after it had closed.*

*PayrNet say the notice of closure letter was sent in April 2023. The key parts of that letter relevant to this complaint says:*

*"As a result of the programme closing and in line with the Terms & Conditions of your reward card, we are officially giving you 60 days' notice of the closure.....There will be no more payments made onto cards. You will still be able to view your balance via the reward card website..... Please also note, we will no longer be able to issue replacement cards should your card become lost, stolen or expire"*

*PayrNet has sent me an internal email which shows such notifications were sent in April 2023. I'm satisfied this was sent given Mr K says he checked his email, but it didn't mention losing the unspent funds.*

*The financial services regulator, The Financial Conduct Authority (FCA), say in their handbook that a regulated firm, like PayrNet, must ensure its communication is fair, clear and not misleading. Having carefully reviewed the closure notification letter, I'm satisfied it doesn't say anything about what will happen to any funds D paid into them that PayrNet refer to as the corporate. There isn't anything that sets out what will happen with such funds after the closure of the account. So, I think PayrNet failed to communicate in a clear and fair way.*

*In general terms, when accounts are closed by providers for such commercial reasons, funds in them are returned to the customer either side of the closure. But PayrNet say Mr K was never entitled to any funds loaded by D. I have looked very closely at the relevant terms PayrNet are relying on here. I note they say:*

#### **"9. REDEEMING E-MONEY**

9.1 If you would like to terminate your Card and redeem any Personally Loaded portion of the Available Balance, you can do so by calling Customer Services. Please note that you do not have the right to redeem any Company Loaded funds. You will be charged a fee of £5 or the total Available Balance if equal to or lower than the redemption fee to cover redemption costs if you redeem all of your balance at the following times:

9.1.1 before the expiry date of your Card or replacement Card,

9.1.2 before you or we terminate this Agreement prior to the Card expiry date; or

9.1.3 more than 12 months after:

(i) your Card or replacement Card expires, or;

(ii) this Agreement is terminated.

You will be reminded of this fee before redemption.

9.2 You may redeem funds as long as;

9.2.1 we believe you have not acted fraudulently; and

9.2.2 we are not prohibited from doing so by any applicable law, regulation, court order or instruction or guidance of a competent regulatory authority or agency.

9.3 All redemptions will be paid to you by bank transfer.

9.4 If any additional withdrawals, fees or charges have been incurred on your Card following the processing of your redemption funds, we shall send an invoice to you and will require you to refund them within 14 days of receiving the invoice. Should you not repay this amount within 14 days of receiving an invoice then we reserve the right to take all steps necessary, including legal action, to recover any monies outstanding”

*I've already said PayrNet failed to communicate fairly and clearly when it sent Mr K the closure notification letter about what would happen with his corporate loaded funds. So I think PayrNet must put things right given this failing has caused Mr K detriment.*

*But, and for the sake of completeness, I'm not persuaded the terms PayrNet are relying on are sufficiently clear and unequivocal in the way it argues. I say that because the terms talk about a customer actively wanting to redeem an e-money while it is still open. It also says Mr K doesn't have a right to the company loaded funds. This infers that discretion is held by PayrNet. I also note that the reasons cited for not being able to redeem the funds don't include account closure if D wound down its operations.*

*I also note that PayrNet's internal notes about Mr K's complaint show that it viewed the matter as a 'huge grey area' and its terms aren't completely clear on whether the funds would be removed. Taken together, I'm satisfied that neither the notice to close letter nor its terms are sufficiently clear in the context of this complaint.*

*So, after carefully weighing this all up, I'm persuaded there are communication failings and ambiguous terms being relied on. This leads me to conclude that PayrNet isn't acting fairly*

*or reasonably by not returning the funds Mr K had saved up through a rewards programme with D.*

*I also question how PayrNet can say Mr K's funds of over £4,000 now form account fees. This appears to be grossly disproportionate.*

*Putting things right*

*Unless further submission from either party changes my mind, PayrNet should return Mr K's account balance in full. It's arguable PayrNet should pay 8% simple interest on these funds from the day Mr K called to release them until settlement. But it's clear from what he says they were earmarked for the purchase of anniversary gifts for his parents. So I don't think such an award of interest would be appropriate here.*

*This service has also asked Mr K what impact PayrNet's actions have had on him and what he wants PayrNet to do to put things right. He's only said he wants the funds returned. Given the funds were earmarked and saved for a gift for his parent's anniversary, I'm satisfied the impact to Mr K hasn't been substantive or severe. But I do think he would have faced some inconvenience and distress given he had been saving the funds to buy a significant value gift for his parents.*

*So, I think PayrNet should also pay Mr K £100 for the distress and inconvenience he has likely suffered"*

The deadline for both parties to send me any further comments and evidence has now passed. Mr K has said he is happy with what I said. PayrNet has accepted what I said I was planning on deciding. PayrNet has asked for Mr K's nominated account details, a copy of a statement for that account, and copies of ID and address for verification purposes.

### **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, and for the reasons in my provisional decision – as above - I have decided to uphold this complaint in part. I should add that I'm satisfied PayrNet are acting reasonably by asking for the documents that it has from Mr K as part of its verification procedures before sending him the funds and compensation.

### **My final decision**

For the reasons above, I have decided to uphold this complaint in part. PayrNet Limited must now put things right by returning Mr K's full account balance upon closure and pay him £100 in compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 3 February 2025.

Ketan Nagla  
**Ombudsman**