

The complaint

Mr R, on behalf of RE, complains that PayrNet Limited have not refunded a payment he made for £2,200.

What happened

Mr R says that he made a payment on RE's account for £2,200, which was to an individual to pay for two mobile phones. However, the beneficiary of the funds explained their account had been blocked by the receiving bank, so they could not access the funds received.

PayrNet's agent, ANNA, explained that Mr R had contacted them on 28 January about the payment of £2,200 as the beneficiary had said their account was restricted. On 29 January, Mr R said he had concerns that the payment was not legitimate as the beneficiary said their account was still blocked. At that point ANNA explained they could not provide support as the issue appeared to be with the receiving bank's compliance procedures. On 2 February, Mr R confirmed he thought the transaction was fraudulent and ANNA began attempting to recover the funds. Unfortunately, the receiving bank confirmed none remained to be recovered.

Mr R referred the complaint to our service and our Investigator looked into it. They explained that the payment itself was not large enough to warrant intervention from ANNA, as PayrNet's agent, prior to it being processed. And they felt ANNA had acted quickly to try and recover the funds, however, none remained. So, they did not recommend a refund in this case.

Mr R responded on behalf of RE and queried why the receiving bank would restrict the funds and then allow them to be withdrawn. He also felt that PayrNet had not acted when he first reported the issue, and it was only when the seller blocked contact from him that they took action.

As an informal agreement could not be reached, the complaint has been passed to me for a final decision.

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 come to the same outcome as the Investigator for largely the same reasons. I do not direct PayrNet to refund RE and I'll explain why in more detail.

I've firstly considered whether or not this is a scam. Ultimately, RE paid for goods that it did not receive and was eventually blocked by the seller with no refund. This therefore has the characteristics of a scam and I've treated it as such.

I've considered whether RE is entitled to a refund under Contingent Reimbursement Code, however this is a voluntary scheme that PayrNet is not signed up to. Despite this, PayrNet

still has a basic duty of care for its customers.

In deciding what's fair and reasonable in all the circumstances of a complaint, I'm required to take into account relevant: law and regulations; regulators' rules, guidance and standards; codes of practice; and, where appropriate, what I consider to be good industry practice at the time.

Broadly speaking, the starting position in law is that an account provider is expected to process payments and withdrawals that a customer authorises it to make, in accordance with the terms and conditions of the account. And a customer will then be responsible for the transactions that they have authorised.

It's not in dispute here that RE authorised the payment of £2,200 as it believed it was part of a legitimate sale. So, while I recognise that RE didn't intend the money to go to scammers, the starting position in law is that PayrNet was obliged to follow RE's instruction and process the payment. Because of this, RE is not automatically entitled to a refund.

The regulatory landscape, along with good industry practice, also sets out a requirement for account providers to protect their customers from fraud and financial harm. And this includes monitoring accounts to look out for activity that might suggest a customer was at risk of financial harm, intervening in unusual or out of character transactions and trying to prevent customers falling victims to scams. So, I've also thought about whether PayrNet did enough to try to keep RE's account safe.

In my opinion, the payment in question just wasn't sufficiently unusual, uncharacteristic or suspicious to reasonably say PayrNet should not have processed it without first getting in touch with RE to ensure it was legitimate and not related to a scam. The value of the transaction was not particularly high and when compared with RE's normal account activity, it does not stand out as unusual.

I've considered whether or not PayrNet could have done more to recover the funds once RE made them aware of the issue. Mr R, on behalf of RE, has said they only took action when the seller blocked him, and not before. From what both Mr R and PayrNet have said, I think there was initially some confusion over whether or not RE had been the victim of a scam, or if the seller was having issues with their account being blocked. Because of this, PayrNet did not request a return of the funds until Mr R expressed he felt the payment was fraudulent because the seller had blocked contact.

With this in mind, I think it was reasonable that PayrNet tried to recall the funds when it did. Unfortunately, the receiving bank confirmed no funds remained once a request was made, so there was nothing further they could do to help RE.

Mr R has also queried why the receiving bank would restrict the funds and then allow them to be withdrawn. However, this complaint is against PayrNet, so I can only consider their actions in relation to the transaction. Having done so, I don't think they could have done more to either reveal the scam or retrieve the funds RE lost. So, I don't think it needs to take any action to remedy this complaint.

My final decision

I do not uphold RE's complaint against PayrNet Limited.

Under the rules of the Financial Ombudsman Service, I'm required to ask R to accept or reject my decision before 31 October 2023.

Rebecca Norris
Ombudsman