

The complaint

H complain PayrNet Limited, trading as ANNA, restricted their account without any warning or explanation. They also complain that transactions made to it from another company were returned and done so with substantive delay.

H say this has caused them financial and reputational loss. To keep matters simple, I will refer mainly to ANNA in my decision.

What happened

In April 2022, following an internal review, ANNA restricted H's account. ANNA decided to return the funds held in the account to the source account and closed it with immediate effect. ANNA explained that it was talking these actions in line with obligations imposed upon it.

H says the funds were from another UK company who had paid it to procure certain goods as part of its business dealings, and that it was purchasing these goods on behalf of its overseas parent company. I will now refer to this UK based company as A and its parent overseas company as B.

H says it was told by ANNA the funds paid to it by A would be returned the following day. But this wasn't done until nearly 20 days later, on 25 April 2022. Unhappy with the delays, H complained.

In summary, in its response, ANNA said that all monies had now been transferred from H's account and due to the large sums involved there was a slight delay in processing them. ANNA apologised for any distress and inconvenience caused. Unhappy, H referred its complaint to this service.

One of our Investigator's looked into H's complaint, and they did not uphold it. In summary, they found:

- ANNA acted fairly and in line with its regulatory obligations in blocking onward payments from H's account when carrying out its review
- ANNA did not apply its terms of account unfairly when closing H's account immediately, and it's not obliged to disclose reasons why it did so
- ANNA started the process of returning the two payments to A on 7 April 2022. The process of returning funds to source is typically subject to due diligence and regulatory checks and exact timescales can't always be given
- The funds weren't returned to A until 25 April 2022 and they weren't then returned to B until 26 April 2022. Because of this delay, H calculated that B had around £10,000 less returned to it due to the change in foreign exchange rates since it first transferred the funds to A. But ANNA were not the main cause in any delay in returning the funds, and any time it took to return the funds didn't create any impact

for which its responsible

- Our rules allow us to only consider losses experienced by the complainant, and it wasn't H who suffered any loss here. A received the funds from H in the same currency, and there was no exchange rate impact caused by returning the funds from H to A
- H had said that to preserve its reputation they paid the financial loss suffered by A due to the foreign exchange rates available at the time the funds were returned to B. But H had not been able to show any evidence of payments they made to A for this

H did not agree with what our Investigator said. In essence H argues ANNA's actions in returning the funds to A in the way it did were unlawful, and it caused substantive delay in returning the funds after saying it would take one working day. H says ANNA should have offered to return the funds by cheque or another method.

H also adds that it sent the goods it had initially contracted to procure to A through another method and settled this through another bank. And to repair its reputation, H didn't charge A and/or B for the costs of that invoice and other services it should have provided.

H also argues that ANNA had no basis to return the funds returned to A to B in the foreign currency of origin. Our Investigator, in short, made the following key points in response:

- They're not able to comment on what happened with A and ANNA as this complaint deals with H and its relationship with ANNA. If A has issue with ANNA, it should take this up directly with it
- They think ANNA actions, and the time it took it to carry these out were fair and reasonable
- So as ANNA didn't do anything wrong, it doesn't need to compensate H for any loss

As H didn't agree with what our Investigator said, this complaint has now been passed to me to decide.

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 decided not to uphold H's complaint. I know this will disappoint them, so I'll explain why.

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 H and ANNA have said before reaching my decision. It's important to note, my decision focuses on ANNA's actions regarding H's business account with it.

H is the eligible complainant here. So to be clear I will only be considering the actions ANNA took against them and determining if it acted properly in doing so. And if I think it didn't, I'll only be considering any loss it suffered and not any other legal entity – in this case A and B.

I would add too that our rules allow us to receive evidence in confidence. We may treat evidence from banks as confidential for a number of reasons – for example, if it contains security information, or commercially sensitive information. Some of the information ANNA has provided is information that I consider should be kept confidential.

Financial businesses in the UK, like ANNA, are strictly regulated and must take certain actions in order to meet their legal and regulatory obligations. They are also required to carry out ongoing monitoring of an existing business relationship. That sometimes means ANNA needs to restrict, or in some cases go as far as closing, customers' accounts.

Having looked at ANNA's reasons for restricting H's account, I'm satisfied it acted in line with its obligations in doing so.

H says it is not complaining about its account being closed as they accept ANNA is entitled to do this in the way it has. So this isn't something I need to make a finding on.

This brings me onto the crux of H's complaint, that is ANNA has acted improperly in returning the funds back to A, and it did so with significant delay which meant B suffered a financial loss due to the prevailing foreign exchange rate at that time.

I know H would like an explanation as to why ANNA decided to review and return the funds in this way. But for the reasons I gave above this isn't something I'll be disclosing here. Nor am I aware of any obligation under which I or ANNA must do so.

Having seen the information provided to me, I'm persuaded ANNA didn't do anything wrong in returning the funds sent to H by A. I note H has sent us information which it says shows the funds sent to it by A were to procure goods in line with a commercial contract. But given ANNA's concerns, I'm satisfied it acted fairly and reasonably in returning the funds to the source account – A's ANNA account.

A had made the two transactions in sterling to H, and the money returned was done so in sterling too. So I'm satisfied ANNA sent the correct amount, in the correct currency to source.

H argues that when the funds were returned to B from A, they were at a less favourable exchange rate which led to B suffering a loss of around £10,000. In short, this is not H's loss to complain about given B suffered it. H has said that they were made to feel responsible for this by A and B and therefore made up for this loss through not charging A and/or B for the costs of an invoice and other services it should have provided.

I've not seen compelling evidence of this, so it's not a financial loss I can say H suffered. But I also note that the loss being argued about here was in theory was caused by ANNA sending the funds from A's account to B in the original currency. So, any actions taken by H to repair its lost reputation was their choice and not one borne from something it did wrong.

From the information I've seen, which includes screenshots from internal chats, I'm satisfied ANNA told H that the two payments would be returned to A the following day. That was on 7 April 2022. But the funds weren't returned to A until the 25 April 2022. That's around eleven working days after H was told the funds would be returned.

I've looked closely at ANNA's reasons for this apparent delay. I've also considered whether

this delay is reasonable under the circumstances of this complaint. Having done so, I'm persuaded that a delay of a little over two weeks in sending the funds to A was reasonable. There are valid operational reasons which I'm satisfied underpin my finding here. In any event, any delay in sending the funds would be a loss for A to contest.

I note H would like to know what specific regulations ANNA relied on. The UK financial regulator sets regulations which regulated businesses must comply with – and most of the legislations will be covered by this.

Regulated businesses are required to comply with a wide range of law and regulation, including the Prudential Regulation Authority (PRA) Rulebook, the Financial Conduct Authority (FCA) Handbook and various pieces of primary and secondary legislations. Most of these regulatory requirements applies to all UK regulated financial businesses and ANNA is subject to these legal and regulatory requirements.

It's not in our remit to review regulated businesses' processes – we can only check that they've followed their processes correctly and acted fairly. In the circumstances of H's complaint, I think they have. And I'm satisfied ANNA has acted appropriately in returning the funds to A, and the time in which it did so.

So as I don't think ANNA did anything wrong, I won't be asking it to compensate H both for any financial loss or inconvenience suffered.

My final decision

For the reasons above, I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask H to accept or reject my decision before 22 September 2023.

Ketan Nagla

Ombudsman