

## **The complaint**

Mr A has complained that PayPal Europe Sarl & Cie, SCA (PayPal) say that he owes them £2,450. He disputes this.

## **What happened**

In January 2020, Mr A bought a service from a supplier for £2,450. His credit card account was debited through PayPal. He was unhappy with the service and complained to the supplier, who at first declined to refund the amount paid. Because of this, Mr A asked for a refund from his credit card company using the chargeback process. In line with this process, £2,450 was credited to his card account on 13 February 2020. The supplier then agreed to a refund and credited the credit card account with that amount.

Mr A told the credit card company what had happened. So, his card account was then debited with £2,450 on 27 February 2020. PayPal told Mr A in May 2020 that he had received two credits and debited his PayPal account with £2,450. This left a balance of £2,450 owed to PayPal. Mr A got in touch with PayPal to explain the situation. He sent them his card statement and a letter from the card company. PayPal instructed a debt collection agency to recover the debt.

Mr A complained to the Financial Ombudsman Service on 24 June 2020. He said he had only received one refund. He did not agree that he owed PayPal anything further. He later advised that he was being pursued by debt collectors for the amount which was distressing.

PayPal said that they had not had the refund from the credit card company. They believed that Mr A had had two refunds. They had therefore debited his PayPal account with the relevant amount.

Our investigator looked into this and said she was satisfied that Mr A had only received one refund of £2,450. The credit card company had made a refund, which was then taken back after the supplier refunded Mr A, leaving him with the one refund. If PayPal are owed money by the credit card company, they should pursue them for the amount, not Mr A. She said that PayPal should put things right. They should instruct the debt collection agency to stop pursuing Mr A for the debt and remove the charge from his PayPal account. Any negative information reported to credit reference agencies should be removed. She said that PayPal should apologise and pay compensation of £150 to Mr A for the stress and inconvenience caused.

PayPal disagreed with the view of the investigator and asked that the case be reviewed by an ombudsman.

## **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.

Mr A provided copies of his credit card statement dated 7 March 2020. This showed:

- a credit of £2,450 on 13 February 2020 with the description “disputed charge”.
- a credit of £2,450 on 19 February 2020 from PayPal, this being a refund from the supplier of the service.
- a debit of £2,450 on 27 February 2020 with the description “debit adjustment”. This was the reversal of the chargeback.

The statements also show the relevant adjustments and impact of these transactions on his balance. Mr A also provided a copy of a letter from the credit card company which said that a credit of £2,450 had been applied to his account relating to the disputed transaction. And as the supplier had now made a refund, the credit would be reversed.

Mr A also showed us an email from the credit card company which said that it refunded the money to PayPal on 25 February 2020. So overall here, I’m satisfied that Mr A has only received one refund of £2,450.

This means it’s difficult for me to see on what basis PayPal is trying to fairly recover this money from Mr A. I can see that PayPal were given copies of the credit card statements and letter. They have said that they have not received a refund of the money from the card company. They therefore argue that Mr A is liable for the debt. But, Mr A has acted in good faith throughout this dispute and fairly demonstrated that he has done all he can to put this matter right himself – trying to make sure that he’s not keeping any money he’s not entitled to.

So I think Mr A has done enough here to show that he it wouldn’t be fair to hold him liable for any money that PayPal thinks it is owed. I don’t see that the fact that PayPal have not had the money back from the credit card company should mean that Mr A must pay it. So I don’t think it’s fair that PayPal should ask him to pay £2,450 to them.

I realise that PayPal say that they are now owed £2,450. That may well be the case, but my role here is to determine what’s fair and reasonable in the individual circumstances of a complaint and, having done so here, I don’t think it’s reasonable for them to seek repayment of any outstanding amount from Mr A. It may be that this is a matter better dealt with by PayPal and the credit card company, but it is for them to decide how to pursue this further.

### **Putting things right**

To put things right, PayPal should instruct the debt collection agency to stop pursuing Mr A for the debt. They should remove the debt from Mr A’s PayPal account and if any interest and charges have been applied, they should be removed. If PayPal have reported any adverse information to credit reference agencies, this should be removed.

This debt has been hanging over Mr A since May 2020. A debt collection agency has been writing to him and that must have been confusing and frustrating for him here. So I think PayPal should also apologise to Mr A for their error and stress and inconvenience caused. I agree with our investigator that £150 is fair in the circumstances here.

## **My final decision**

I uphold this complaint and require PayPal Europe Sarl & Cie, SCA to:

- Instruct the debt collection agency to stop pursuing Mr A
- Remove the debt from Mr A's PayPal account
- Refund any interest and charges debited to Mr A's PayPal account, plus any pending interest and charges due to be charged as a result of the debit balance
- Remove any adverse information reported to credit reference agencies
- Apologise to Mr A and pay compensation of £150

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 14 January 2021.

Martin Lord  
**Ombudsman**