

The complaint

Mrs G complains about the foreign exchange fees applied to her transactions by PayPal (Europe) Sarl et Cie SCA. She was also disappointed with the service she received.

What happened

Mrs G was unhappy about a number of unexpected foreign exchange fees that PayPal added to her transactions. Even though she'd used PayPal for many years she still found it frustrating to deal with. And when she queried the fees PayPal wasn't able to explain them.

Mrs G wants a proper explanation about the foreign exchange fees. She's unhappy with the service she received and the way PayPal operated as a business. It took a long time for PayPal to respond and she felt it could've been much clearer and straightforward. So Mrs G wants compensation and she wants to know how PayPal intends to improve how it deals with its customers.

PayPal apologised for any inconvenience Mrs G might have suffered. It explained any purchase made in a currency other than GBP would be subject to the terms set out in the PayPal user agreement. PayPal used a retail exchange rate if a currency conversion was needed. And the rates were set at the time of the transaction, including refund transactions.

PayPal said the refunds had been completed in line with the user agreement. But it was sorry Mrs G hadn't been happy with the service she'd received. And it paid Mrs G £30 as a gesture of goodwill.

Mrs G wasn't satisfied with PayPal's response. So she contacted our service and our investigator looked into the matter. He explained our service wasn't able to tell PayPal how to run its service. But he could see if it'd followed its procedures properly and acted fairly. He looked at PayPal's terms and conditions in relation to the transactions where Mrs G thought she'd been charged currency conversion fees on refunds.

Based on the information he'd seen PayPal didn't charge a conversion fee on those transactions. Any loss arose because of different exchange rates being used when the money was returned to Mrs G at a later date. And he felt PayPal's terms clearly explained that might happen. So he couldn't say any financial loss had been caused by PayPal.

But our investigator felt PayPal could've provided Mrs G with a better service. It could've given her the information she'd asked for sooner. And it'd could've provided a clearer explanation of why Mrs G would receive a different amount due to currency rate changes.

He could see PayPal had apologised for its service and offered £30 in compensation. But he felt it should offer a further £100 compensation for the frustration Mrs G had experienced.

PayPal agreed with our investigator's view and credited Mrs G with the additional £100. But Mrs G felt PayPal hadn't properly explained the risk of loss on a transaction involving different currencies. And she felt it should be stated each time. Mrs G wanted her currency losses to be refunded as well. And she's asked for an ombudsman's 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.

I'm sorry to hear about the difficulties Mrs G has experienced and the frustration she's felt when trying to get more clarification from PayPal. Mrs G has raised a number of issues and I've carefully considered all of them. But I'll concentrated on the issues that are relevant to this decision.

It's important to realise that it's not the role of this service to tell PayPal, or any other service provider, how to run its business. Businesses that are based in this country are regulated by the Financial Conduct Authority (FCA). The FCA has rulemaking, investigative and enforcement powers to regulate the financial services industry in the UK. But PayPal's headquarters are located in Luxembourg. So it's regulated by an organisation in that country.

The role of this service is to look at disputes between consumers and businesses to see if the business has made any mistakes or treated the consumer unfairly. And because PayPal has agreed to join our voluntary jurisdiction we can look into complaints such as this. But we don't have the power to tell PayPal how it should operate. We can only check if it's followed its normal procedures when doing so.

When processing refunds the terms and conditions of PayPal's user agreement explain how it will only use the same transaction exchange rate as the original payment if the amount is returned within one day. After that it will use the transaction exchange rate at the time the return is made.

That means a PayPal customer who carried out a refunded transaction involving different currencies would only get back the same exact amount if the refund was made within one day of the transaction. Otherwise any refund would be carried out at the exchange rate on the day of the refund – which could be lower or higher than the original exchange rate.

I don't think that's unfair. If there's a period of time between a transaction and a refund I wouldn't expect PayPal to bear the cost – or reap the benefits – of any change in exchange rate. That's the normal process in any currency exchange transaction over a period of time. For example, holidaymakers travelling abroad shouldn't expect to get the same exchange rate when they return from holiday and convert back any unspent holiday currency.

The terms and conditions of the PayPal user agreement highlight the risks when receiving refunds. The terms state that the returned amount could be lower in value than the original payment amount – either because the recipient doesn't make a full refund, or because of transaction exchange rate fluctuations.

I appreciate the terms and conditions for any contract between different parties can be lengthy and complicated. But I think PayPal's terms clearly explain that refunds involving currency exchanges won't usually return the same amount as the original transaction.

PayPal has provided details of the various refunds and the currency exchange rates used on each occasion. I've not seen anything to show PayPal has charged Mrs G any currency exchange fees. As she correctly points out, as a UK customer she wouldn't expect to be charged those fees.

I can see how strongly Mrs G feels about her complaint. And I recognise how much time and consideration Mrs G has put into it. I can see our investigator has also responded to a number of follow up questions.

Mrs G still doesn't think it's fair for buyers to assume the risk from exchange rate changes. And she doesn't think the terms are clear enough. Or that PayPal responded quickly enough or provided sufficient explanation. But as I've explained, our service can't tell PayPal to alter the way it runs its business. So I can't ask PayPal to make changes to its service or alter its terms. I can only look at whether PayPal has followed its terms and conditions and procedures properly. And I think it has.

I understand Mrs G's frustration that it's taken two years of correspondence with PayPal and she still doesn't feel she's had a clear response. And I hope this decision and our investigator's responses have helped explain why she received slightly different amounts when her refunds were converted back into GBP.

Based on what I've seen I can't say PayPal has made any mistakes in the refunds made to Mrs G or the exchange rates used. So I can't ask PayPal to cover any differences between the payments Mrs G made and the amount of refund she's received. That wouldn't be fair.

But I do agree that PayPal could've done more to respond to Mrs G's queries and provide clearer information about the refunds and exchange rates used. And I can see PayPal has accepted our investigator's suggestion to increase the compensation for its poor service from £30 to £130. I think that's the right outcome. And I won't be asking PayPal to do anything more.

Putting things right

To put things right PayPal should pay Mrs G an additional £100 compensation for the trouble and upset she's been put through. And I understand PayPal has now made this payment.

My final decision

My final decision is that I uphold this complaint. PayPal (Europe) Sarl et Cie SCA should make the award described above in the section 'putting things right'.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms G to accept or reject my decision before 8 April 2022.

Andrew Mason
Ombudsman