

The complaint

Mr B complains that he was allowed to set up an account with PayPal (Europe) Sarl et Cie SCA even though he was underage. And he also complains that a payment then made to him through PayPal was never received.

Mr B has been supported in bringing this complaint by his father.

What happened

Mr B's father said that his son was allowed to set up a PayPal account without any age verification. He was younger than 18 at the time.

Mr B's father told us that Mr B then sold an item through an online auction site, asking for payment through PayPal. Mr B's father said Mr B was told payment had been received, but this turned out not to be the case.

Mr B's father said he'd complained about this to PayPal, and received no response.

PayPal said that Mr B opened an account with it on 6 April 2019. PayPal said that it is clear someone has to be 18 or over to open an account with it. And Mr B had told it that he was born in 2000, meaning he would now be 21. PayPal said that it had no reason to think that Mr B was underage when he opened his account.

PayPal said that Mr B's father complained to it in summer 2021, and on 24 August Mr B's account was limited, on suspicion that the account holder may be underage. PayPal said the account would remain limited until it got valid photo ID for Mr B. And if that ID confirmed Mr B was under 18, the account would be closed.

PayPal said it could see that a payment of £122 was made to an email address which apparently belongs to Mr B. This was for the sale of an item on an online auction site. But this email address wasn't the same as the one Mr B had previously registered with PayPal. So PayPal said it had emailed this address, to say that the owner of the address needed to register it with PayPal, in order to access the money that had been sent.

PayPal said the address wasn't registered with it, and around a week later, the sender took the payment back. PayPal said that the email address was finally registered with it two days after this happened.

PayPal said it wouldn't advise a seller to send an item until they have received the money in their account. This never happened in this case. So PayPal said Mr B could ask the buyer to pay him, but it couldn't help him.

PayPal said it understood Mr B and his father remained very disappointed, but PayPal didn't think it had done anything wrong.

Our investigator didn't think this complaint should be upheld. He said PayPal didn't have to ask for ID when Mr B opened an account, and PayPal had no reason to doubt what Mr B told

it about how old he was. And Mr B didn't get the payment for the item he sold because that payment wasn't sent to an email address registered with PayPal. Our investigator thought PayPal had followed its own terms and conditions, and he said it didn't have to do any more.

Mr B's father didn't agree. He said that PayPal should've done more checks to verify the age of Mr B when the account was opened. And even if PayPal doesn't do that, Mr B shouldn't be responsible for his actions because he's a minor.

Mr B also said that the link PayPal sent to Mr B to allow him to verify his email address was broken. Mr B hadn't contacted PayPal about that.

Mr B wanted to know why the money was returned to the buyer. Our investigator explained that the buyer, who sent the money, had asked for the payment to be refunded. The money he'd sent hadn't actually been paid to anyone, so the sender was able to ask for it back, and in these circumstances PayPal will pay it back. Our investigator noted that sellers don't usually send items until they've received the payment.

Because no agreement was reached, this case was passed to me for a final decision.

My provisional decision

I issued a provisional decision on this complaint and explained why I only proposed to uphold it in part. This is what I said then:

When I decide a case, I don't just look at the underlying law. My overriding duty is to consider what's fair and reasonable. And, although I know that Mr B and his father will be disappointed by this, I don't think that what has gone wrong here is entirely PayPal's fault. So I don't think it has to pay Mr B all the money he has lost. But there is one point in this case where I don't think PayPal has been fair, and I will ask it to pay some compensation because of that. I'll explain why I think that.

PayPal asked Mr B his age when he opened an account. I know Mr B's father thinks PayPal should've taken steps to check Mr B's age. But I think it's reasonable for PayPal to rely on what Mr B said when he made his application. It didn't have any reason to think he wasn't telling the truth. So I don't think it was wrong for PayPal to open an account for Mr B in 2019.

Mr B then sold an item on an online auction site. He asked for payment to a specified email address. PayPal has shown us that this address wasn't the one Mr B had already registered with it. So it contacted this email address, and said a payment had been sent there.

But PayPal also allows a sender to reclaim a payment, if it's been sent to an unregistered email address, and hasn't been paid into someone's account. And here, the buyer reclaimed this money before Mr B tried to link the second email address to his existing account.

I don't think it's PayPal's fault that Mr B used an email address that he hadn't previously registered with PayPal, when he sold this item. But I do think there's something that PayPal did wrong here. That's because I can't see, in the email that Mr B was sent to tell him a payment had been made to the unregistered email address, that there was any suggestion that this payment could be recalled. The email is titled "*notification of payment*" and it begins "*You've received new funds!*".

So I think that Mr B wasn't warned, when he was told about the payment and presumably before he sent this item, that he hadn't actually got the money. And, most importantly, it doesn't look as if Mr B was warned that the buyer could ask for the money back. I don't think that's fair. And because Mr B wasn't warned that this payment could be reversed, I think PayPal should pay Mr B £50 in compensation now.

I know that this is rather less than Mr B lost. And I know that Mr B's father considers that what's gone wrong here is because of Mr B's age. I note the argument that Mr B's father makes about his son's capacity to enter into a legally binding agreement. He thinks that Mr B is being held responsible for things he has done, although he is a minor.

I haven't seen anything to suggest that formal action will be taken against Mr B. But I do have to take into account everything that has happened in this case. That includes that Mr B opened an account at a point when he wasn't entitled to do so, and so there was no legally binding agreement between him and PayPal at the time this payment was made, as well as that the email address used for this payment wasn't linked to Mr B's account. Because of that, I also don't think it would be fair and reasonable to ask PayPal to reimburse the full amount that has been lost on this sale.

So I currently propose to ask PayPal to pay Mr B £50.

I invited the parties to make any final points, if they wanted, before issuing my final decision. Both sides replied.

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 B's father thanked me for looking into this complaint. He said he still found it worrying that a minor can set up an account with PayPal and link their banking details with no financial guarantee. He said if I thought PayPal had done all it needed to do, then he and Mr B would accept that. They would also gladly accept the payment of £50, even though it didn't fully address their concerns.

Mr B's father said that he wanted to raise his wider concerns about financial regulations governing online children's accounts, and he would take this forward separately.

I understand the wider concerns that Mr B's father has raised in this case. But our service isn't a regulator, and I'm only able to look at what happened in this case. So my decision is based on these specific circumstances.

And here, it does seem to me that the main impetus for this complaint was that Mr B hadn't received payment for an item he sold. I appreciate that Mr B's age is an important part of the context of this complaint, and I understand that Mr B's father is concerned that his son was ever able to open the PayPal account. But I don't think that this problem occurred solely because of Mr B's age, or because he'd been able to open an account although under 18. I think that this problem occurred mainly because when PayPal wrote to Mr B to say he'd received a payment, it didn't also tell him that he needed to act urgently, or this payment could be recalled. That's why I told PayPal it did need to pay Mr B some compensation.

PayPal also replied. It said that it appreciated my comments about the email it had sent Mr B, but it wanted to draw my attention to the part of that email which said Mr B would need to click on the link provided and complete the required registration form in order to claim his funds.

And PayPal said it stands to reason that a customer would want to log into their account to confirm they had actually received their funds before shipping an item. PayPal said Mr B hadn't done that.

PayPal said that if Mr B could provide evidence that he did ship the item to the buyer without checking that he had received payment, then it would pay a courtesy credit of £50 GBP, as a gesture of goodwill. But if Mr B couldn't prove that he had sent the item, PayPal said it would argue that this entire issue arose as a result of Mr B's own negligence and that he had not lost out financially as a result.

PayPal repeated that it is imperative that all sellers log into their account to confirm that payment has been received, prior to shipping an item.

I noted in my provisional decision that the email PayPal sent Mr B was titled "*notification of payment*" and it begins "*You've received new funds!*" I think that's a clear statement from PayPal, and I also think PayPal ought reasonably to have realised that some of its customers would rely on this email, to say that their money had arrived. I don't think I can accept PayPal's general argument in this case, which seems to be that it isn't reasonable for its customers to simply rely on what PayPal itself has said to them.

I know PayPal also said Mr B had to take steps to register this email address, but I stressed in my provisional decision that it didn't warn him about the urgency of this, or alert him to any risks in not taking this step immediately.

PayPal has also suggested that there's no hard evidence that Mr B ever sent this item. But Mr B has shown our service confirmation from the relevant auction site that the item was sent, and that it was also successfully delivered. I've accepted this. I don't think further evidence on this point is required here.

For the reasons I've set out above, I haven't changed my mind. I'll now make the award I originally proposed.

My final decision

My final decision is that PayPal (Europe) Sarl et Cie SCA must pay Mr B £50.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 20 January 2022.

Esther Absalom-Gough

Ombudsman