

The complaint

Mr D complains PayPal (Europe) Sarl et Cie SCA made changes to online security following which he was locked out of his account for over nine months.

What happened

Mr D has an account with PayPal which he's used for over ten years. He says his account allows him, amongst other things, to sell items online.

In November 2020 Mr D says PayPal made changes to its online security meaning that he sometimes needed a one-time passcode ("OTP") in order to use his account. He complained to PayPal saying that he wasn't receiving the code on his landline.

PayPal investigated Mr D's complaint and said that it was having problems sending OTPs to landlines. PayPal apologised for the inconvenience and said that there were other ways in which Mr D could generate an OTP or receive one. PayPal said OTPs could be sent to a mobile phone – all he needed to do was register his number if he had a mobile – and he could generate OTPs using software that could be downloaded. Mr D says he tried to register his mobile number but couldn't do so because he had to pass security first and this meant receiving an OTP to his landline. He downloaded the software too but says it didn't work. PayPal also said that Mr D could email if he wanted to move money out of his account.

In May 2021 Mr D complained to us saying that he'd spent a lot of time trying to resolve the problems he was having with PayPal but was still unable to use his account.

In August 2021, following our involvement, PayPal said that it had fixed the technical issue it was having sending one-time passcodes to landlines. Mr D confirmed the issue had been fixed and he's had access to his PayPal account since August 2021. However, he wanted compensation for all the distress and inconvenience he'd been caused in the meantime.

Our investigator looked into Mr D's complaint and said that PayPal had offered Mr D a couple of options that would have worked – he could have added his mobile number if he'd called them and asked them to do so and he could have taken PayPal up on its offer to send an email if he wanted to move money out of his account. But our investigator did think PayPal could have done more, and that Mr D had been inconvenienced. So, they recommended that PayPal pay him £125 in compensation. PayPal agreed to our investigator's recommendation. Mr D, on the other hand, didn't think that the compensation recommended reflected the distress and inconvenience he'd been caused not having access to his account for nine months. He asked for an ombudsman to look into his complaint. So, that's what I've done.

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.

PayPal accepts that there was a problem sending OTPs to Mr D's landline between

November 2020 and August 2021. There was, in fact, a straightforward solution to this problem. Mr D had a mobile phone to which OTPs could have been sent – all that was needed was for that number to be added to Mr D's account. Mr D tried this but says couldn't do so because he had to pass security first which meant receiving an OTP to his landline. There was another way of doing this, however. PayPal could have added his mobile number if he'd called them. PayPal didn't suggest this, and I do think they could and should have done so. Instead PayPal emailed Mr D – on 7 December 2020 and 11 February 2021 – instructions to download software that would generate OTPs. Mr D tried to use the software suggested but couldn't get it to work properly. In short, I do think both parties could have solved this problem sooner, but I agree too with our investigator that the greater burden for doing so was on PayPal. So, I agree that it would be right to award Mr D compensation to reflect the distress and inconvenience of not having full access to his account.

Mr D says he had to shield and couldn't do his normal job during Covid. He's told us he wanted to buy and sell items online to raise money but didn't because any money he raised would have ended up stuck in his PayPal account. He says that this made his financial situation more difficult. I can, however, see that PayPal emailed Mr D on 15 April 2021 to say that it could arrange for funds in his PayPal account to be transferred to his bank account if he emailed a specific address. Mr D didn't do so – but it's an option that would have allowed him to access any money he raised. PayPal didn't, however, suggest this April 2021. So, I think it's fair to take some of the distress and inconvenience this caused Mr D into account.

Putting things right

I agree with Mr D that £125 doesn't fully reflect the distress and inconvenience he experienced whilst waiting for a solution. As I've already said, PayPal offered a workaround in April 2021 that would have allowed Mr D to buy and sell online and I do think both sides could have found a solution sooner than August 2021. Taking all of that into account, I think an award of £300 is fair and reasonable. So that's the award I'm going to make.

My final decision

My final decision is that I require PayPal (Europe) Sarl et Cie SCA to pay Mr D £300 in compensation in full and final settlement of his complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 7 October 2022.

Nicolas Atkinson
Ombudsman