

The complaint

Mr J complains about PayPal (Europe) Sarl et Cie SCA and their decision to limit his account.

What happened

In 2008, Mr J opened an account with PayPal. At the time, Mr J was under the age of 18 but this wasn't noticed.

Mr J continued to use this account for several years. And in 2019, Mr J applied for PayPal credit using the same account. He provided documents confirming his age through this process and again, Mr J's age at the time of the account opening wasn't noticed.

But in August 2021, PayPal Limited Mr J's account meaning he could no longer use it to send or receive funds. PayPal explained this was because Mr J was under the age of 18 when the original account was opened.

Mr J was unhappy about this, so he raised a complaint. Mr J didn't think PayPal were fair to limit his account some 13 years after it was opened. Mr J thought PayPal should've realised he was underage both in 2008 and in 2019 when he provided further documentation. He explained the limitation impacted his business which in turn created severe stress and anxiety that significantly impacted his health and left him unable to work. And he explained he'd needed to borrow money from friends and family to continue to make payments towards his credit account, which he was unable to repay due to his health. So, he wanted PayPal to compensate him enough to repay the money he'd borrowed.

PayPal didn't agree initially. They thought they had an obligation to limit and close the account as Mr J was under the age of 18 when he opened it. And they thought it should've been clear to Mr J at the time of opening that he needed to be over the age of 18. So, they didn't think they needed to compensate Mr J. But they explained Mr J would be able to open a new account to replace the one they'd closed. And they explained Mr J would be able to continue to make payments to his credit balance over the phone. Mr J remained unhappy with this response, so he referred his complaint to us.

While Mr J's complaint was with our service, PayPal offered to pay Mr J £200 to recognise the trouble and upset he'd been caused.

Our investigator looked into the complaint and upheld it. They recognised the impact Mr J's health had had on his financial situation. And they acknowledged Mr J's belief that it was PayPal's actions that had caused his health to deteriorate. But they didn't think PayPal had acted unfairly by limiting and closing the account, as PayPal were obliged to do so as Mr J was under the age of 18 when it was opening.

But they did recognise PayPal could've realised this sooner, especially in 2019 when Mr J provided them with additional documentation. Even so, they thought Mr J had benefitted from this mistake, as he'd been able to use the account for a period of time when he shouldn't have been. So, considering all of the above, they thought the £200 PayPal offered

was a fair one, to recognise the length of time it took them to realise the account needed to be closed. And because of this, they didn't think PayPal needed to do anything more.

Mr J didn't agree. He maintained it was PayPal's error allowing him to create the account underage and then not noticing this for several years. And because of this, he thought PayPal were partly responsible for the deterioration of his health and the financial impact this has had. So, he maintained his belief that PayPal's offer of compensation should be substantially increased. As Mr J didn't agree, the complaint has been passed to me for a 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.

Having done so, I'm upholding the complaint for broadly the same reasons as the investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

First, I want to recognise the impact this complaint has had on Mr J. I think it's reasonable for me to assume PayPal's decision to limit and then close the account came as a shock to Mr J, as he'd been using the account for several years without any issue. And I recognise Mr J has said the shock of this, and the stress it created, directly related to the deterioration of his health. I've seen evidence that shows Mr J has been unable to work due to his health and I understand the financial impact this would've had. So, as Mr J believes PayPal's actions were a direct cause of his health problems, I can understand why Mr J thinks PayPal should compensate him in a way that helps ease his financial difficulties.

Since Mr J's complaint has been with our service, PayPal have made an offer of £200 to recognise any upset Mr J has felt. And I appreciate why Mr J sees this as an acceptance of their errors. So, I've thought about the actions PayPal have taken, and the offer they've made, to decide whether I think they made a mistake and if so, if the offer they've put forward is a fair one.

I've first thought about whether PayPal have acted fairly when limiting and closing the account. When Mr J opened the account in 2008, he would've needed to confirm he read and accepted PayPal's terms and conditions. And these terms and conditions state *"Our service is not available to individuals under the age of 18 years. We may refuse to provide our service, change the qualifications for your use of the service and/or terminate this agreement with you at any time giving you notice by email"*.

It's not in dispute that Mr J was under the age of 18 at the time the account was opened. So, Mr J was in breach of this condition when the account was created. Because of this, I think PayPal acted reasonably when closing the account as they had an obligation to do so as it couldn't be legally binding when Mr J was underage. And I've seen they notified Mr J of their intention to do so, which falls in line with the terms and conditions. So, I can't see they've done anything wrong in their actual decision to close the account.

But I do think this should've been noticed much earlier than 13 years after the account opened. Especially when Mr J provided documentation in 2019 and PayPal credit was approved. So, I can't say PayPal acted fairly. Because of this, I've then thought about what I think PayPal should do to put things right.

Putting things right

When thinking about what I think PayPal should do to put things right, any award or direction I make is intended to place Mr J back in the position he would've been in, had PayPal acted fairly in the first instance. And I can't place Mr J in a position of betterment in order to ensure I remain fair to both parties.

In this situation, Mr J had made use of the account for over 13 years. And he's been able to access PayPal credit, which he's been able to benefit from. So, while I recognise Mr J had a credit balance outstanding that he needs to repay, Mr J has been able to make use of this balance and so, I think it's fair for PayPal to expect this to be repaid.

But I recognise as the account has been closed, it's now more difficult for Mr J to make payment. Although PayPal have shown me Mr J was able to make payments through his app in October, their email's to Mr J explain payments should be made over the telephone. And I appreciate this would be more inconvenient. Had PayPal recognised the age issue sooner, I think it's reasonable for me to assume this inconvenience wouldn't have arisen. So, I think it should be compensated for.

I also do think it would've been shocking and upsetting for Mr J to realise so many years later that he was now unable to use the account. And I recognise Mr J may have intended to utilise the remaining credit limit available, which he was unable to do once the account had been limited. So, I think it's likely that some immediate short-term financial impact would've occurred.

But I've also seen that Mr J had other accounts with PayPal, using different e-mail addresses. So, I think Mr J is likely to have had other ways to access the services of PayPal. And when his account was limited, PayPal explained to Mr J that he was free to open a new account using the same e-mail address linked to the closed account. I can't see Mr J decided to do so, but I can't say this is the fault of PayPal.

And I can see when PayPal were made aware of Mr J's financial circumstances due to his health, they gave Mr J the option of speaking to them to arrange an affordable repayment plan that took into consideration his loss in income due to being off work. But I can't see Mr J has done so. Instead, Mr J has made multiple payments which exceeded the minimum monthly repayment. While I appreciate Mr J has borrowed money to pay this, I don't think it would be fair for me to then say PayPal should cover these amounts.

I also recognise Mr J's comments about PayPal's mistake, and the direct link between this and the deterioration of his health. I've thought about this at length. While I appreciate Mr J's health deteriorated around the time PayPal limited and closed his account, and I do understand the upset this caused, I don't think it would be reasonable or fair for me to decide that this mistake alone led to the deterioration of Mr J's health. So, I don't think it would be fair for me to say that PayPal's compensation should be based on them taking full responsibility for Mr J's health, and the financial difficulty that arose from this.

So, considering all of the above, I think the £200 PayPal have offered is a fair and falls in line with what I would've awarded had it not already been made. So, I think PayPal should pay Mr J this amount.

My final decision

For the reasons outlined above, I uphold Mr J's complaint about PayPal (Europe) Sarl et Cie SCA and direct them to take the following action:

- Pay Mr J £200 to recognise the trouble and upset he's been caused by their delay in limiting and closing his account.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr J to accept or reject my decision before 26 April 2022.

Josh Haskey
Ombudsman