

The complaint

Mr G complains that PayPal (Europe) Sarl et Cie SCA allowed him to use his accounts with them to gamble extensively without any interventions or checks. Mr G also complains that PayPal (Europe) Sarl et Cie SCA breached their own terms and conditions by permitting him to use multiple accounts.

What happened

Mr G opened two personal accounts with PayPal (Europe) Sarl et Cie SCA ("PayPal"). He says that PayPal allowed him to send £110,000 to one betting company over a roughly five-year period between 2013 and 2018. Mr G also says he was allowed to make payments from his primary account to his secondary account which breached PayPal's own rules.

Mr G complained to PayPal about these issues, however they didn't uphold his complaint. PayPal said, in summary, that Mr G's accounts were verified in line with their terms and that there was no limit to the amount of money he could send from these, subject to a potential limit on a single transaction.

As Mr G didn't agree with this, he referred his complaint to our service. One of our investigators looked into what had happened and upheld the complaint. He said, again in summary, that PayPal had failed to spot that Mr G was vulnerable due to the way he'd managed the accounts and that there was a pattern of spending which should have prompted PayPal to contact Mr G and potentially offer some help or support. Our investigator said that PayPal should pay £500 to Mr G.

Mr G didn't disagree in principle with the investigator's proposed recommendation although did say he wasn't sure that £500 adequately reflected the distress and turmoil PayPal's actions had caused. Mr G did though say that PayPal had breached their own terms by allowing him to open and use two personal accounts and didn't know how PayPal verified one of these bearing in mind it was linked to a dormant account. Mr G also referenced the Consumer Rights Act 2015 and its requirements for PayPal to carry out services with reasonable care and skill, which he felt they hadn't adhered to.

PayPal didn't agree saying that, at the time, they had no way of flagging any of their accounts as 'vulnerable' and that Mr G didn't tell them about his vulnerability. So, they felt they couldn't have offered him any support.

As agreement between the parties couldn't be reached, Mr G's 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, it seems to me the first thing I need to do is establish whether I find that PayPal should reasonably have been aware Mr G was vulnerable and in need of additional support.

It seems to me that PayPal has sent somewhat contradictory information to us about how they act with regards to vulnerable, and potentially vulnerable, customers. On the one hand, they've said to us that they were able to flag a customer's account when they identified a vulnerable customer, provided the customer gave them consent to record their data. And that in extreme situations, they were able to record a vulnerability without explicit consent from their customer. On the other hand, PayPal said in response to our investigator's view, that they weren't able to flag Mr G's accounts as vulnerable at the time of the activity on them.

Irrespective of this, PayPal hasn't said that they had no obligation to offer any kind of support or help to vulnerable customers. So, I'm satisfied that they were able to offer this to Mr G.

PayPal has said on more than one occasion that Mr G didn't tell them he was vulnerable. I don't though agree that it was solely incumbent on Mr G to have done this. While I appreciate it is easier for businesses like PayPal when consumers self-identify as vulnerable, I think it's fair to say that there is also an understanding that vulnerable consumers may not be able to do this at the height of their vulnerability.

I think there were clear signs from the activity on Mr G's accounts that he was vulnerable and struggling to control his spending. I've seen, for example, four receipts PayPal sent to Mr G between September 2018 and December 2018, where payments totalling £15,000 had been sent to the betting company in question. I've also seen evidence of Mr G's deposit history to one of his accounts where a total of just under £68,000 was deposited between December 2017 and December 2018 which Mr G says (and PayPal hasn't disputed) that he used to gamble. It doesn't appear disputed either that Mr G was able to send a total of around £110,000 to the betting company from his PayPal account over the course of around five years.

Mr G's pattern of gambling was, in my view, extreme, particularly during December 2017 and December 2018. It certainly doesn't strike me as activity that was being well-controlled and used purely for entertainment. Given this, I think PayPal should have been alerted to the fact that, in all likelihood, Mr G's gambling had become problematic.

My impression though is that PayPal wouldn't have done anything unless Mr G had specifically contacted them to say he was vulnerable and using his accounts to gamble excessively and uncontrollably. I've already set out above why I don't think it was solely his responsibility to do this. I would only add that PayPal's position on acting upon contact from Mr G was a choice and decision made by PayPal. There was nothing to prevent them from seeing the activity on the account and contacting Mr G to talk about this. And, for the reasons I've set out above, I think they should have done so and that this should have happened at the latest during the period where this cumulative spend was at its highest, which was during 2018.

So, I'm satisfied that there was a failing on the part of PayPal here and that this warrants compensation for Mr G. I think it reasonable to say that PayPal's failure to identify what was happening on Mr G's accounts and to offer some sort of potential help or support led to him suffering additional distress by continuing to gamble using his PayPal accounts knowing the further financial and emotional detriment this would cause (and indeed did cause). Overall, I think £500 is a fair award in recognition of this.

I can't though be reasonably certain that Mr G would have stopped gambling even if he had been prevented from doing so in some way from his PayPal accounts. This wasn't money that PayPal had lent Mr G and they can't be held responsible for other lenders deciding to give Mr G more credit. And because PayPal didn't lend Mr G money, they were under no regulatory obligation to assess whether what was happening was 'affordable' for him. So, with that in mind, I won't be awarding any refund of money used by Mr G to gamble through his PayPal accounts.

Mr G has made some further points, including the fact that PayPal breached their own terms and conditions by allowing him to open two personal accounts. We've asked PayPal about this and they've said that opening two personal accounts isn't against their rules. I don't therefore uphold this particular point and would only add that this issue, and the points Mr G made about PayPal not complying with the Consumer Rights Act 2015 or how one of his accounts was verified when linked to a dormant account, don't make any material difference to my decision anyway. I've set out why I think PayPal didn't act reasonably in how they dealt with Mr G and his accounts in this decision and these additional points don't change my thinking on that.

Putting things right

PayPal needs to pay Mr G compensation for the distress he suffered, as directed below.

My final decision

I uphold this complaint and direct PayPal (Europe) Sarl et Cie SCA to pay Mr G £500.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 14 October 2022.

Daniel Picken
Ombudsman