

The complaint

Mr B complains that PayPal (Europe) Sarl et Cie SCA reversed a payment he'd received through his account and used debt collectors to chase him for repayment.

What happened

Mr B sold a phone and received a payment for it through his PayPal account. However, the buyer raised a dispute through PayPal's buyer protection policy, saying the phone was blacklisted and unusable.

PayPal gathered evidence. Mr B contacted the mobile network, who told him the blacklist had been in error and removed it. But PayPal found in favour of the buyer. They deducted the payment from Mr B's account, leaving a negative balance. They also asked him to repay the amount the account was in deficit and blocked his PayPal account. Mr B raised a complaint, and PayPal responded saying they hadn't received evidence they'd asked for from Mr B.

Unhappy with this answer Mr B referred the complaint to our service. He said he understood PayPal's original decision to refund the customer, but once he'd provided proof the blacklist was in error, they should have reversed the decision.

He said he'd contacted the buyer, who'd confirmed the phone now worked, but refused to resend the payment. He also said that being asked to repay the debt by PayPal, and third party agencies on their behalf, caused him a lot of stress and anxiety.

One of our investigators looked into what happened – and after consideration PayPal agreed to refund the amount in dispute and unblock his PayPal account. They also agreed to pay Mr B £50 compensation for what happened. Our investigator felt this was a fair outcome.

Mr B disagreed, saying that he wouldn't accept the £50 compensation. He said the situation had had a great impact on his mental health. He said there had been an impact on his credit score, and he has credit cards and broadband rejected because of the debt recovery attempts. He wanted reassurance that what happened to him wouldn't happen to anyone else.

As no agreement could be reached the case has been passed to me to decide.

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 satisfied the offer PayPal have made is fair.

Firstly, I'm glad PayPal have agreed to clear the outstanding balance. I'm satisfied this is the fairest thing to do in the circumstances.

Turning to the compensation on offer, there are several factors for me to take in to account. From what Mr B has told us, it does seem that when he first sold the phone, it was blacklisted. So, the buyer would have a legitimate dispute here. This doesn't stem from anything Mr B has done, but likewise it wasn't an issue PayPal had initially caused.

Likewise, when Mr B succeeded in getting the mobile network to remove the blacklist and the phone became usable, it would seem sensible for the buyer to either withdraw the dispute with PayPal or make the payment again. That they didn't was no doubt distressing for Mr B. But this isn't something I can hold PayPal liable for, it's down to the actions of the buyer.

But I think PayPal could have handled the situation better. I accept what Mr B has said about having difficulty in contacting them. I also think once they received the information that the blacklist was removed, they could have re-reviewed their decision. This also likely would have prevented any need for Mr B to be asked to repay the debt – although this was only for a limited period, and I can't see that any money was collected from Mr P. But I'm satisfied that PayPal were unreasonable in how they tried to help Mr P, and that it's fair to ask them to pay compensation.

Mr B has commented on the impact on his credit file. But I've not been provided with any evidence that this debt was reported with external credit reference agencies. So, I'm not satisfied there was any impact on Mr P's ability to obtain credit.

I thought carefully about what Mr B has said about the length of time it took to resolve, and how much time he had to put in to do so. He's mentioned his hourly rate for the time taken to attempt to discuss this with PayPal, but this isn't something I'm satisfied they should pay. Mr P hasn't suggested that he's suffered actual financial loss – for example, that he's been unable to work at all because of this complaint.

Rather, he's attached a value to the time he could've have spent working overtime instead of dealing with the complaint. In those circumstances, I don't think an hourly rate is appropriate because there's no guarantee this is money that would have been earned, except for the actions of PayPal.

The appropriate way to decide compensation for his upset and inconvenience caused by PayPal is to look at what happened as a whole. In doing so, I've taken account of the overall impact this matter has had on Mr P, what impact can be directly attributed to PayPal and not a third party, and more broadly in the context of the sorts of awards made by our service in cases similar to this.

I've no doubt this was a stressful and difficult experience for Mr P, and I'm sorry to hear of the difficulties he had. But as I've explained above, I can't say PayPal are solely responsible for everything that went caused this distress. On that basis I'm satisfied that the £50 on offer is a fair reflection of the impact of PayPal's actions.

My final decision

My final decision is that PayPal (Europe) Sarl et Cie SCA must:

- Clear the remaining balance of Mr B's PayPal account, and ensure they are not asking him to repay anything related to this transaction
- Pay him £50 for the distress and inconvenience caused

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 18 July 2022.

Thom Bennett
Ombudsman