

The complaint

Miss M has complained that PayPal (Europe) Sarl et Cie SCA didn't refund an unauthorised payment at first.

What happened

Both sides are most familiar with the case, so I'll summarise things in brief.

In October 2021, Miss M's PayPal account was used for a purchase of around £780.

PayPal initially declined Miss M's fraud claim. Miss M has explained that she had a lot of trouble trying to sort things out on the phone, and that the delay in getting her money back meant she had to use credit in the meantime – meaning she'd been charged interest.

In January 2022, Miss M came to our service, and PayPal reviewed the matter again. They accepted the payment was unauthorised, and refunded it. They also offered Miss M £200 compensation to help put things right.

Our investigator looked into things independently and thought PayPal's offer was fair. Miss M didn't agree. She reckoned that her losses came to over £400. She asked for an ombudsman to review her case afresh, so the complaint's 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.

First of all, I understand that Miss M has been the victim of a crime here, and so she has my sympathy – I imagine that the fraudster caused her a good deal of stress.

I'm glad to see that PayPal have now refunded the disputed payment, even if this refund came later than it should have. I've thought carefully about what PayPal got wrong and the impact it had on Miss M.

Miss M explained that while she was without her money, she had to spend a similar amount using her credit facility. She provided a summary showing the interest rate was 54.9%. She therefore reckons she was charged over £400 in interest.

I understand Miss M's thinking and where her misconception has come from. But to clarify, that 54.9% interest rate is an *annual* rate – it's how much Miss M *would* have been charged in interest if she'd let the balance sit unpaid for a whole year. It's not a flat rate, and was not added in the way that Miss M worked out. If Miss M goes through her individual transactions, she will find that she was not charged £400 in interest between October and January, or anything near that.

Indeed, the significant majority of Miss M's spending on that credit facility was on her January 2022 statement – so it was spending done from mid-December to early January. That means that for the bulk of the spending, it only accrued around a month or so of interest – or even less – before PayPal refunded her.

I can't see the exact amounts of interest Miss M was charged, because we've only been given a summary of the account rather than full statements. And the summary doesn't show the dates or amounts of individual transactions, only a total of what was spent or paid each month. But based on what I can see, I'd estimate that Miss M was charged around £70 or so of interest before PayPal refunded her – not £400. Though again, I appreciate why she initially thought it might be around £400.

Of course, I think PayPal need to account for that loss, as well as the upset the delay caused to Miss M, and the trouble she faced in trying to sort things out on the phone. I appreciate that this happened around the holiday period, which made things that bit more stressful.

When a business gets things wrong, we often tell them to pay compensation, to acknowledge their mistakes and the impact they had. In terms of the amount, I need to keep in mind that it was the fraudster – rather than PayPal – who defrauded Miss M, and so it was the fraudster who was responsible for much of the general stress she went through. I also need to keep in mind that we're here to resolve complaints, rather than to issue large fines. And I note that PayPal did refund the payment in the end – and while they should not have delayed things for Miss M, the delay was not what I'd consider severely long.

We have guidelines about what levels of compensation to award. Taking everything into account, I think that the £200 offered is fair to put right the losses Miss M suffered here.

My final decision

For the reasons I've explained, I uphold Miss M's complaint in part, and direct PayPal (Europe) Sarl et Cie SCA to pay her £200 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 2 August 2022.

Adam Charles
Ombudsman