

The complaint

Mr P complains about PayPal (Europe) Sarl et Cie SCA and their decision to debit his account stating he had been double compensated, which he feels is incorrect.

What happened

On 1 June 2021, Mr P made two separate payments to an online retailer, who I'll refer to as "T", for some parts. But these parts were fault, so Mr P raised a section 75 claim through his credit card provider, who I'll refer to as "N".

While this claim was ongoing, Mr P received a partial refund from T into his PayPal account. So, N factored this refund into the payment they made for Mr P's successful section 75 claim, refunding him the amount left outstanding.

But after this payment, PayPal re-debited Mr P's account, saying he had been double compensated. This placed Mr P's account into a negative balance and so, he made a payment to PayPal to bring his account back to £0. But Mr P was unhappy with this as he felt he'd been left out of pocket. So, he wanted PayPal to refund him the £2,013.38 he felt he was out of pocket, plus any interest he'd been charged due to PayPal's decision to re-debit his account.

PayPal responded and didn't agree. They thought they'd acted fairly, and in line with their terms and conditions when re-debiting Mr P's account. And they thought Mr P should take up his issue with N, who they thought were responsible for arranging a refund through the section 75 claim he raised. So, they didn't think they needed to do anything more. Mr P remained unhappy with this response, so he referred his complaint to us.

Our investigator looked into the complaint and upheld it. They were satisfied that N's payment made following Mr P's section 75 claim factored in the refund T sent directly to Mr P through his PayPal account. So, they thought PayPal's decision to re-debit Mr P's account was unfair as they didn't agree Mr P had been double compensated. So, they thought PayPal should pay Mr P the amount left outstanding relating to the faulty parts provided by T plus 8% simple interest, refund any interest that may have been charged while Mr P's account was in a negative balance and pay Mr P £100 to recognise the upset and inconvenience he'd been caused.

Mr P accepted this recommendation. But PayPal didn't, maintaining their belief they'd classified Mr P's situation correctly, in line with their terms, and that Mr P would need to seek the remaining part of the refund from N, not themselves. As PayPal 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.

I've first calculated Mr P's current financial position. To do this, I've considered the initial £4,527.38 Mr P paid T and then subtracted the refunds Mr P received from T and N as well as the £144.68 refund PayPal paid before re-adding the payment Mr P paid to PayPal after they re-debited his account. And having done so, I can see Mr P is currently left £2,013.38 out of pocket.

So, I've then thought about whether I think PayPal's actions have directly impacted Mr P's financial position. Had PayPal not re-debited Mr P's account saying he had been double compensated, then Mr P would've received a total refund of the payment he made to T, less 1p. And as Mr P's section 75 refund had been successful, I think this is the position he should've been in. So, I think PayPal's actions have directly led to the financial loss Mr P has incurred.

I've then thought about whether I think the actions taken by PayPal were fair. They think they were, as it was N's responsibility to ensure Mr P received the full refund via his section 75 refund made through N directly. But I disagree. I've seen an email from N which confirms they took into consideration the partial refund Mr P received from T through his PayPal account when calculated the section 75 refund amount he'd receive. So, the section 75 refund wasn't for the full amount, as T had already given Mr P some of his funds back.

Crucially, it was after Mr P received the partial section 75 refund from N that PayPal chose to re-debit Mr P's account. So, N were unable to factor this re-debit into their calculations. This has meant Mr P has needed to bring his PayPal account back to a zero balance to avoid charges, impacting his financial situation. PayPal say they did this as Mr P had received double compensation. But he didn't. The refund N provided was intended to be on top of the refund T had already given Mr P. So, I don't think PayPal should've re-debited Mr P's account and so, I think they acted unfairly when doing so.

Putting things right

Any award or direction I make is intended to place Mr P back in the position he would've been, had PayPal acted fairly in the first instance.

In this situation, had PayPal have acted fairly, they wouldn't have re-debited Mr P's account. And if they hadn't, Mr P wouldn't have needed to make a payment into his PayPal account to bring it to a zero balance and incurred any interest or charges this may have led to. So, I think PayPal should pay Mr P the £2,013.38 he needs to recover all of the funds he paid to T, plus 8% simple interest from the date Mr P repaid PayPal until it's refunded.

I also think PayPal should refund any interest or charges Mr P was charged while his account was in a negative balance, if there are any, as I don't think it should've been. And finally, I think PayPal should pay Mr P £100 to recognise the inconvenience he's been caused due to their actions, including the financial loss and time spent needing to engage with PayPal unnecessarily.

My final decision

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

- Pay Mr P £2,013.38 plus 8% simple interest from the date Mr P made payment to PayPal until the date it is refunded,
- Refund any interest (if any) Mr P was charged while his account was in a negative balance; and
- Pay Mr P £100 for the upset and inconvenience he's been caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 22 August 2022.

Josh Haskey
Ombudsman