

The complaint

Mr G complains about the service he received from PayPal (Europe) Sarl et Cie SCA when he informed it that he hadn't authorised a transaction on his account.

What happened

Mr G marked a transaction as unauthorised on his PayPal account because he didn't recognise it. PayPal concluded there had been no unauthorised activity and closed the dispute. Mr G says he disputed the unauthorised transaction a second time and was told the merchant was pre-authorised to access his account but provided no further information.

Mr G complained about how his dispute had been handled. In response to his complaint, PayPal said one of its team members had helped Mr G with his questions and so was able to provide a resolution. It said it was satisfied that its actions were correct, fair and reasonable.

Mr G remained unhappy and asked our service to consider his complaint. Our investigator looked into his concerns and thought Mr G's complaint should be upheld. He didn't think PayPal had done enough to investigate the disputed transaction. He recommended PayPal refund the amount that was paid and pay Mr G £50 for the inconvenience he was caused.

PayPal disagreed with our investigator's view. It felt it had provided sufficient evidence to show how the billing agreement had been set up and that other undisputed transactions had been completed under the same agreement. So, the complaint 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've decided to uphold Mr G's complaint. I'll explain why.

PayPal says the transaction Mr G reported as unauthorised was part of an active billing agreement on his account. It's referred to the following wording in its user agreement:

"You can use a billing agreement to manage payments to the same recipient(s) on an ongoing automatic basis. When you enter into a billing agreement:

- 1. You authorised the named recipient(s) to collect payments from your account as the recipient determines (this could be for payments of amounts you owe the recipient for a purchase of goods or services under a separate contract that you have with the recipient).*
- 2. You instruct PayPal to pay the named recipient(s) or other recipient(s) that the named recipient(s) direct(s) when the named recipient(s) request(s) PayPal to make your payment."*

PayPal has provided a screenshot which appears to show that Mr G set the billing agreement up on 17 January 2021. However, Mr G can't remember setting it up and he didn't know what the payments were for. He says PayPal didn't provide him with any details to support the idea that it was an authorised transaction or to help him identify it. Mr G is concerned that he might have been a victim of a scam.

PayPal has referred to this wording in the *"making a payment"* section of its user agreement:

"Payments made under the billing agreement may be in variable amounts and may be made on various dates. We are only a payment service provider so we can't (and please don't expect us to) know what you have or haven't agreed with the recipient or to know why the recipient decided to collect your payment. We are not obliged to verify or confirm the amount the recipient presents to us for the purpose of processing payments made under the billing agreement."

However, in the *"receiving payments"* section of PayPal's user agreement under *"reversals"* it says:

"We may have to compensate your payer when they claimed that there was a problem with their payment (including that their payment was unauthorised or incorrect or that their billing agreement payment was not expected)."

I think this shows that PayPal is able to carry out an investigation into payments which have been disputed under a billing agreement and is also able to reverse them.

PayPal has commented that Mr G had made other undisputed payments on the same billing agreement. It's provided a screenshot that shows there were three transactions prior to the one Mr G disputed. However, these were all for small amounts, with the total amount taken being less than £20. So, I don't think the fact that Mr G didn't dispute the earlier transactions is enough evidence to conclude that he had given the payee the authority to take the payments that it did.

I'm not persuaded that PayPal did what it should have done to investigate Mr G's dispute. While it was only a small transaction, Mr G says he spent many hours trying to identify the transaction to ensure his account hadn't been compromised and to ensure future unauthorised transactions wouldn't go through. So, I think it would be fair for PayPal to reimburse him for the transaction he's disputed and compensate him for the distress and inconvenience he's experienced.

Putting things right

PayPal should pay £4.99 Mr G for the disputed transaction with an additional £50 for distress and inconvenience.

My final decision

For the reasons I've explained, I uphold Mr G's complaint and direct PayPal (Europe) Sarl et Cie SCA to put things right by doing as I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 16 August 2022.

Anne Muscroft
Ombudsman

