

The complaint

Mr B complains that PayPal (Europe) Sarl et Cie SCA failed to properly administer his account, allowing unauthorised transactions to be made which adversely affected his credit rating.

What happened

Mr B was plagued with calls from persons he believes were trying to gain access to his finances. He received calls over an extended period of time, with the callers purporting to be from various organisations including his bank and PayPal.

A recurring payment had been set up some months earlier and several payments had left Mr B's account. There was then a larger payment made to the same merchant. PayPal were unable to collect that payment from Mr B's bank account because the direct debit was cancelled.

This generated a negative balance on Mr B's account which was left unpaid and eventually PayPal referred the debt to an external organisation to collect it on their behalf. Mr B notified PayPal that his account had been compromised by unknown persons who'd set up this payment from his account. Mr B believed that the same people were able to prevent him from gaining access to his own account.

PayPal looked into what had happened and couldn't find any unauthorised access to Mr B's account. Mr B made a complaint, believing that PayPal had adversely affected his credit rating because of the debt.

PayPal looked into what had happened and cancelled the debt on his own account which had been generated by the disputed transaction. PayPal later also refunded the other payments to the same merchant. They accepted that Mr B had received poor customer service but didn't think that his account had been compromised. PayPal also confirmed that they hadn't reported the original debt to the credit reference agencies because the debt wasn't linked to any credit. They also confirmed that Mr B's credit account with them also hadn't generated any negative reporting. PayPal made an offer of £200 to compensate Mr B for his experiences. Mr B explained he'd also incurred costs dealing with the complaint.

Mr B remained unhappy with how PayPal had dealt with his issue and how they'd treated him. He brought his complaint to the Financial Ombudsman Service for an independent review. It was looked into by one of our adjudicators who thought that PayPal hadn't provided good customer service, but thought their offer of £200 was appropriate. Mr B was unable to provide evidence of additional costs associated with his complaint, so no further award was made.

Mr B disagreed and wanted an increased amount of compensation, so his 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.

I'm very aware that I've summarised this complaint above in far less detail than Mr B's own experiences may merit. No discourtesy is intended by this. Instead, I've focussed on what I think are the key issues here. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual argument to be able to reach what I think is the right outcome.

It's apparent that Mr B experienced a number of calls from unknown third parties who were trying to compromise his accounts. At one point a recurring payment was set up using his PayPal account to make the payment from his bank account. Four of these payments went unnoticed until a much larger payment was made.

The direct debit that settled the PayPal account was cancelled, which eventually led to the debt being sent to an external company to obtain the funds from Mr B. I think at this point, PayPal were under the impression that the payment was a genuine one set up by Mr B, mainly because the other earlier payments hadn't been disputed. So, it would appear to PayPal that the debt was a genuine one. I don't think it was unreasonable for PayPal to follow their processes for collecting outstanding debts at this point. That's because they weren't aware of the nature of the earlier payments.

The difficulties experienced by Mr B when he was trying to establish who was genuine and who was trying to scam him complicated the whole situation. I don't think PayPal were aware of the scammers causing Mr B difficulties. When Mr B was able to make his situation known to PayPal and they had an opportunity to look into it, they accepted the debt was the result of an unauthorised transaction and removed it from Mr B's account. Mr B later highlighted the earlier payments to the same company and told PayPal they were also unauthorised. PayPal accepted this and refunded them to Mr B. I think this was the appropriate action for them to take and I'm satisfied they acted reasonably once it became clear what had happened to Mr B.

PayPal have confirmed that they didn't report the debt to the credit reference agencies because it wasn't related to any credit product.

I appreciate Mr B had a difficult time with calls from scammers and I've no doubt it was difficult for him to work out who was genuine and who was trying to obtain his details to scam him. But, I don't think that was something PayPal could have directly prevented as they weren't aware it was happening at the time.

The debt has been written off, refunds given, and no adverse reporting was made about the issue to the credit reference agencies. So, whilst I realise Mr B would like more compensation, I think PayPal's offer of £200 was a reasonable one, particularly when a portion of the troubles experienced by Mr B was at the hands of others and not PayPal directly.

Putting things right

For PayPal to pay their original offer of £200 to settle this complaint. As there was no evidence of additional expenses incurred by Mr B, I haven't considered any further award related to this.

My final decision

My final decision is that I uphold this complaint and instruct PayPal (Europe) Sarl et Cie SCA to pay Mr B £200.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 12 September 2022.

David Perry
Ombudsman