

The complaint

Mrs A complains about the actions of PayPal (Europe) Sarl et Cie SCA with respect to a negative balance on her account.

What happened

In early 2022, Mrs A made a payment to a travel company via PayPal. She says the money was transferred from her linked bank account to PayPal a few days later. Shortly afterwards, the travel company refunded the money to Mrs A's PayPal account as her holiday had been cancelled. However, Mrs A was unable to access the funds.

Mrs A says that when she called PayPal it told her it hadn't received the funds from her bank, so it was holding on to the refund. She says she then phoned her bank who told her the funds had been sent so they offered to recall them. Mrs A says she received a double refund into her bank account, but she wasn't aware of this until a couple of weeks later, when PayPal told her there was a negative balance on her account.

Mrs A says she raised a complaint with PayPal which wasn't acknowledged for a few weeks, so she had to contact it several more times. In the meantime, PayPal kept attempting to collect the debt and passed it on to a debt collection agency.

PayPal said Mrs A had received a reduction of £481 from the travel company which she'd withdrawn to her bank account before PayPal had the chance to receive the funds from her financial institution, resulting in a negative balance. It said it was unable to complete the investigation using information from Mrs A's PayPal account. It required copies of Mrs A's bank statements to complete the investigation.

After some further communication with PayPal, Mrs A's concerns weren't resolved so she asked our service to look into the matter. She said she would like PayPal to cancel the debt as she believed it was incurred as a result of its internal error.

Our investigator looked into Mrs A's concerns but didn't think her complaint should be upheld. He was satisfied that Mrs A was liable to pay the outstanding balance on her PayPal account.

Mrs A disagreed with our investigator's outcome. In summary, she didn't think PayPal had treated her fairly or communicated with her clearly. She made several comments about PayPal's handling of her complaint, including continuing with debt collection activity. 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 not to uphold Mrs A's complaint. I'll explain why.

I'd like to reassure Mrs A that I have considered all of her points, even if I've not addressed each of them individually. I've focused on what I think is most relevant to the outcome of her complaint.

PayPal's records show that a payment of £481 was sent from Mrs A's PayPal account to the travel company on 13 February 2022. This was funded from Mrs A's bank account. When PayPal received the refund from the travel company on 20 February, it appears to have been sent to Mrs A's bank straight away. So, when Mrs A phoned PayPal on 21 February, I don't think the funds would have been showing as a credit on her PayPal account.

Mrs A has acknowledged receiving two amounts of £481 into her bank account on 21 February. Her bank statements show that one of these was from PayPal. The other one appears to have been credited by her bank as a result of her conversation with them.

PayPal says it received notification about the disputed transaction from Mrs A's bank a couple of weeks later. It then debited £481 from Mrs A's PayPal account which created an outstanding balance.

Mrs A says there was an issue with her banking app, so she wasn't aware of the double refund until after PayPal sent her notifications informing her of the negative balance on her PayPal account. She says that after speaking to PayPal about the negative balance, she checked her bank account and saw that PayPal had refunded the money the same day she'd received it back from her bank.

PayPal's user agreement says:

"By linking a funding source to your PayPal account, you give us continuous permission to automatically charge that funding source (subject to this user agreement and the terms of any mandate (e.g. bank direct debit) used by the provider of that funding source to set up and maintain that authority) for the required value of the electronic money:

To cover

- The payment amount (plus all transaction fees payable to us) when you use your account to send a payment to another user.*
- Any amounts you owe us arising from your activity as a recipient of payments using our services, if you are registered with PayPal as resident in the UK....*

We may charge the funding source again if the previous attempt failed. If you cancel any continuous permission from your funding source, you will reimburse us for the value of any electronic money we've already issued for which a charge from that funding source remains outstanding."

From what I've seen, PayPal appears to have processed the transactions correctly. The negative balance on Mrs A's PayPal account was as a result of the disputed transaction raised by her bank. Mrs A has acknowledged receiving a double refund. So, I think it's fair and reasonable for PayPal to expect Mrs A to reimburse it in line with its user agreement.

Mrs A says that when she phoned PayPal on 21 February it incorrectly told her that it was holding on to the refund from the travel company because it hadn't received the funds from the bank. She says this is what prompted her to call the bank, who arranged for the payment to be returned. PayPal says it hasn't been able to locate a call recording or note of this conversation, so I haven't been able to listen to what was said.

I appreciate Mrs A feels that this situation wouldn't have occurred if PayPal had given her better information over the phone. It's possible that PayPal gave Mrs A inaccurate information about why there wasn't a credit showing on her PayPal account when she called, but I don't think it would be fair to tell them to cancel the debt because of this. I understand it was frustrating for Mrs A to find that she owed PayPal money. However, she'd had the benefit of these funds.

Mrs A has raised various other concerns about the customer service she received from PayPal and the way it has communicated with her. Unfortunately, I haven't been able to listen to any of Mrs A's calls with PayPal. Mrs A says an agent was rude to her and accused her of fraud. But she's also said that the same agent clarified that he was not saying she had committed fraud. So, I think it's likely that there was some sort of miscommunication or misunderstanding during the call. There's not enough evidence for me to conclude that the agent was rude to Mrs A.

Mrs A says she contacted PayPal many times before her concerns were acknowledged. I appreciate that this would have been frustrating for her. However, I can see that PayPal acknowledged her concerns a few weeks after she first raised them. It also issued its final response to her complaint within the relevant timescale.

Mrs A has also raised concerns that PayPal moved her debt to a debt collection agency after she'd raised her complaint. PayPal says it did this in line with its user agreement because Mrs A hadn't resolved the negative balance.

PayPal's user agreement says:

"If there are insufficient funds in your balance to cover your liability, we reserve the right to collect the amount you owe us by deducting the amount (or any part of it) from any payments received in or money you add to your PayPal account. Otherwise you agree to reimburse us through other means. We may also recover amounts you owe us through legal means, including, without limitation, through the use of a debt collection agency."

Mrs A has commented that PayPal sold the debt without finalising its investigation. However, PayPal says it didn't sell the debt. The letter from the debt collection agency Mrs A has shared with us refers to it being instructed by PayPal to collect Mrs A's overdue account. So, I think PayPal used the services of the debt collection agency rather than selling the debt.

PayPal says that collection activities have temporarily been ceased while her complaint is with our service. I can see PayPal told Mrs A about this on 28 April 2022, which is the date after the letter she's provided from the debt collection agency. I appreciate Mrs A feels PayPal should have paused collection earlier, but I can't see that it had any obligation to do so. Given what it says in the user agreement, I haven't concluded that PayPal was wrong to pass the debt on to the debt collection agency.

I know my answer will be disappointing for Mrs A. But having carefully considered all of her points, I haven't found reason to uphold her complaint.

My final decision

For the reasons I've explained, I don't uphold Mrs A's complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs A to accept or reject my decision before 1 November 2022.

Anne Muscroft
Ombudsman