

The complaint

Miss L complains that PayPal Europe Sarl & Cie, SCA attempted to get her to pay them an amount after she says she was the victim of a scam. She'd like an apology and compensation.

What happened

Miss L had a PayPal account. In September 2020 she sold an item for £87, and accepted payment through PayPal. However the buyer raised a dispute through PayPal, saying the item was not as described.

PayPal investigated under their buyer protection policy. Miss L believed she'd found the buyer reselling the item for a higher price, and attempted to submit screenshots of this, but these were declined by PayPal. It was decided the fairest way to resolve the situation was to allow the buyer to return the item and receive a refund.

But Miss L did not receive the item, as her address held with PayPal was a previous address and the item returned undelivered. But her account was put in a negative balance, which she was asked to repay. She was also prevented from using her account.

Miss L complained to PayPal about this, saying she could show the buyer still had the item, and was now reselling it for higher value. But PayPal didn't think they'd done anything wrong. They said they'd stuck to the terms of the user agreement. But they decided to issue a credit to clear the negative balance on her account in March 2021.

Unhappy with this response Miss L referred the complaint to our service. One of our investigators looked at the complaint, but felt that by writing off the remaining balance PayPal had resolved the complaint in a fair way. They didn't ask PayPal to do anything further. Miss L disagreed, saying she'd had debt collectors sent after her, and had to spend a lot of time trying to resolve the issue with PayPal. She'd also lost income as she couldn't use PayPal to collect payments for goods sold online.

As no agreement could be reached the complaint has been passed to me to decide. After reviewing the evidence and circumstances of the complaint, I felt it should be upheld. I issued a provisional decision which said:

Firstly, I'm glad to see that PayPal decided to clear the outstanding balance. I'm satisfied this was the fairest thing to do in the circumstances. Based on what I've seen I think it's more likely than not Miss L was the victim of a scam, and I've seen nothing to suggest that she hasn't acted in good faith.

The PayPal Seller Protection policy says that "PayPal determines, in its sole discretion, whether your claim qualifies for PayPal Seller Protection. PayPal will make a decision, in its sole discretion, based on the coverage and eligibility requirements, any information or documentation provided during the resolution process or any other information PayPal deems relevant and appropriate under the circumstances".

However, in this case I can see that Miss L offered PayPal information about the dispute, which I've reviewed and found relevant to the dispute in hand. This included the information that the item was possibly being resold. But this information was declined, and Miss L was told that the item being resold would have no bearing on the case.

It doesn't seem reasonable to me for PayPal to decline to review relevant information about the dispute, when the terms say they will consider any information provided. So, I can see why Miss L would be upset by PayPal's actions.

If PayPal had reviewed Miss L's evidence, I think it's likely they would have reached a different conclusion in the dispute. This would have resolved the dispute for Miss L a lot sooner. Instead I can see PayPal took several months to investigate her concerns, which is much longer than I'd expected to see. During this time they were still asking for repayment of the money. So, dragging this out would only increase the upset caused to Miss L.

On that basis I'm satisfied PayPal haven't treated her fairly, and it would be appropriate for compensation to be paid. Miss L has commented that she has lost out because she hasn't been able to sell items online and collect payment through PayPal. But my understanding is that the account was blocked for reasons unrelated specifically to this dispute.

Having considered the overall impact, I'm minded that £100 would be a suitable award to reflect the distress and inconvenience to Miss L.

Miss L didn't respond. PayPal responded to say they believe they acted in accordance with their user agreement, and that as a credit was issued to her account, they feel no further actions were required.

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.

After careful consideration I'm still minded the conclusions I reached in the provisional decision are reasonable. I've reviewed the correspondence Miss L has supplied between her and PayPal; and considered what the PayPal Seller Protection Policy says. I'm still minded that Miss L has fallen victim to a scam, and that there is nothing to suggest she has acted in anything other than good faith.

The terms of the Seller Protection policy clearly state that all evidence considered relevant will be considered. But in this case Miss L has provided compelling evidence that PayPal refused to consider the evidence she had – she is told directly by a PayPal agent that the item being resold will have no bearing on the case and it doesn't contradict the buyer's claim.

But I find Miss L's evidence to be relevant to the claim, particularly as the buyer does appear to be reselling the item for a higher price, despite claiming it was not as described. There isn't a reasonable reason for PayPal to decline to consider this evidence since, as the terms state, the decision whether a claim qualifies for Seller Protection is down to PayPal's sole discretion.

Ultimately, I'm not satisfied that PayPal have followed the terms of their Seller Protection, and in any case the outcome reached is unreasonable. Had they considered Miss L's evidence, as their terms suggest they would, then they ought reasonably to have reached a different conclusion. I don't see it was reasonable to hold Miss L liable for the amount in dispute when the buyer has received a refund and is reselling the item.

PayPal have commented that they could not find any evidence of poor service. But I find that declining to consider relevant information to fall well below the standard I would expect to see. The dispute took several months to resolve, which is much longer than I would consider reasonable. During this time were asking Miss L to repay a balance. This can only have increased the upset to her.

I'm satisfied that PayPal have treated Miss L unfairly. PayPal have suggested that they have sufficiently compensated her by writing off the outstanding balance. But for the reasons explained above, I don't see she should have been held liable for this amount. So, I can't see this could count as compensation.

I've still seen nothing to suggest that Miss L suffered any specific losses from PayPal's actions – and the restriction on her account are unrelated to this dispute. With that in mind I'm satisfied £100 is a suitable amount to reflect the distress and inconvenience PayPal's handling of this dispute caused.

My final decision

My final decision is that PayPal Europe Sarl & Cie, SCA must pay Miss L £100 compensation.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss L to accept or reject my decision before 25 October 2022.

Thom Bennett
Ombudsman