

## **The complaint**

A limited company, which I'll refer to as 'C', is unhappy that PayPal (Europe) Sarl et Cie SCA, trading as Zettle by PayPal, restricted its access to funds held in its account.

C's complaint is brought to this service by its director, whom I'll refer to as 'Mr M'.

## **What happened**

On 6 March 2023, C completed the first transaction on its new Zettle account. C sells cars, and the transaction was the receipt of £7,485 in relation to the sale of a car.

On 7 March 2023, Zettle messaged Mr M and explained the C's account had been paused as a precaution following the transaction. Zettle asked Mr M a series of questions about C's business, and Mr M responded to Zettle's questions that same day.

The following day, 8 March 2023, Zettle messaged Mr M again and explained that C's account had been blocked and that the withheld £7,485 would not be allowed to leave the account. Zettle also explained that the only way the money could leave the account would be for it to be refunded to the person who bought the car. But Mr M didn't feel that he reasonably should or could refund the person who bought the car – because they had the car that they'd paid C for. So, he raised a complaint on C's behalf.

Zettle responded to Mr M but reiterated their position and didn't feel that they'd acted unfairly in how they'd managed the situation. Mr M wasn't satisfied with Zettle's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they felt that Zettle had acted in accordance with the account terms and didn't feel that Zettle had acted unfairly. Mr M remained dissatisfied, so the matter was escalated to an ombudsman for a final 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 issued a provisional decision on this complaint on 17 July 2023 as follows:

*Zettle explained to Mr M that they'd acted in accordance with their terms, and specifically with the following clause:*

*"We reserve the right to temporarily suspend and or delay payouts to your designated bank account and or restrict access to any funds credited to your Zettle account where we need to conduct an investigation or resolve any pending dispute relating to your Zettle account and or as necessary to comply with the card scheme rules, applicable law or court order or if otherwise requested by law enforcement or any government agency."*

*I've asked Zettle to clarify exactly why this clause applies in this instance. This is because there doesn't appear to be any ongoing investigation into C, or any pending dispute, or any issue of compliance with the card scheme rules, law, or a court order.*

*Zettle responded and explained that they hadn't been able to verify C's business activity and that when this was the case, Zettle withheld funds for 120 days to mitigate against losses that could occur from chargeback claims – which generally have a 120-time limit.*

*I can appreciate Zettle's position here, to a degree. But I'm not convinced that Zettle's stated position is supported by the term quoted above that Zettle sought to use to justify their position – given that none of statements within that clause appear to apply. And I feel that Zettle have failed to fairly explain to Mr M why they were withholding C's funds, or that the funds would be released to C after 120 days.*

*Indeed, I feel that Zettle have been unnecessarily and unfairly unclear with Mr M about this matter, including that they incorrectly told Mr M that the funds would only be released if C refunded the buyer. But, given that Mr M has confirmed that the buyer has the car – as would be expected from a car sale – this seems unreasonable to me. As well as being incorrect.*

*Notably, the 120 period that Zettle wanted to withhold the £7,485 for ended on 4 July 2023. And so, I write this letter on the assumption that Zettle released the £7,485 to C on that date and have informed Mr M that they have done so.*

*But I'm not convinced that Zettle has acted within their terms here as they contend. And I feel the poor standard of communication and explanation displayed by Zettle has caused C a degree of trouble and inconvenience in not being able to understand when or how it would receive the £7,485 from the car sale that C should fairly be compensated for.*

*Accordingly, my provisional decision here is that Zettle must make a payment of £300 to C as compensation for the trouble and inconvenience it's encountered here.*

*Additionally, if it is the case that Zettle haven't released the £7,485 to C, and sent a message or other form of communication to Mr M clearly explaining this fact to him, then Zettle must pay a further £100 compensation to C, release the £7,485 to C immediately, and pay 8% simple interest on the £7,485 to C from 4 July 2023 to the date that Zettle inform Mr M that the money has been released.*

*Zettle responded and said that they accepted my provisional decision and that C's account balance had been released on 4 July 2023. However, Mr M has provided an email sent by Zettle at 8:21pm on 10 July 2023 advising that C's account balance was being released and would be with C within two working days. And Mr M also provided a copy of C's bank account showing that the money was only received by C on 12 July 2023.*

*Additionally, the bank statement provided by Mr M shows that Zettle only returned £7,297.87 to C, and not the full amount of £7,485. And Mr M has explained that Zettle have said that this is because they've taken a fee for their service.*

*But I don't feel that Zettle have provided a fair service to C here, given that they appear to have withheld C's money in a manner that isn't justified by their terms – as I explained in my provisional decision letter. And so, I don't feel that Zettle should fairly withhold a fee from C.*

*In my provisional decision letter, I explained that if Zettle hadn't released C's money when they should have, that I'd award a further £100 compensation to C as well as interest for any*

period beyond 4 July 2023 that Zettle held the money. And I feel that Zettle's failure to release C's money when it should have means that this clause now applies.

Accordingly, my final decision here is that Zettle must reimburse to C the £187.13 that they withheld, so that the full £7,485 is released to C. And Zettle must pay 8% simple interest on the £7,485 for 7 days, from 4 July 2023 to 11 July 2023 – the effective working day that the money was released – and must also pay a further 8% simple interest on the £187.13 that they withheld from 12 July 2023 to the date they pay that amount to C.

Additionally, Zettle must also make a payment of £400 to C, comprising the £300 I initially stated in my provisional decision letter as well as a further £100 as per the clause in my provisional decision letter referred to previously.

Finally, Mr M has reiterated that he feels that he should be personally compensated for what's happened here. I can appreciate Mr M's strength of feeling on this matter. But as explained previously, given that this complaint has been brought in the name of C – because C is the eligible complainant here – I can only consider how C as a limited company has been inconvenienced. And I can't consider any personal compensation for Mr M – because Mr M himself isn't a party to this complaint.

### **Putting things right**

Zettle must reimburse to C the £187.13 that they withheld, so that the full £7,485 is released to C.

Zettle must pay 8% simple interest on the £7,485 for 7 days, from 4 July 2023 to 11 July 2023 – the effective working day that the money was released.

Zettle must also pay a further 8% on the £187.13 that they withheld from C from 12 July 2023 to the date they pay that amount to C.

Zettle must also make a payment of £400 to C.

### **My final decision**

My final decision is that I uphold this complaint against PayPal (Europe) Sarl et Cie SCA, trading as Zettle by PayPal, on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask C to accept or reject my decision before 19 September 2023.

Paul Cooper

**Ombudsman**