

The complaint

A company which I'll refer to as "O" complains that PayPal (Europe) Sarl et Cie SCA ('PayPal') didn't provide it with the requested information to locate a missing payment, which caused a financial loss.

The complaint is brought on its behalf by its director, Ms G.

What happened

O told us:

- It received a payment on 13 June 2022 into its PayPal account, and on 20 June, requested a withdrawal from this account of £1,867.99 to the registered bank account details held by PayPal, which had been input by a relative of O's director ('the representative') - but the funds weren't received as expected.
- The representative identified on 13 July that the account details which had been input to receive the payment was incorrect by a couple of digits. So, they amended the account details for O held on the PayPal system. The same day a dispute was raised with PayPal that the funds hadn't been received.
- PayPal didn't respond until 20 July and only said that the funds had been received by O's bank and provided a Faster Payment ID (FPID) reference. O provided this to the bank, but it said the payment couldn't be traced using this information.
- It contacted PayPal again on 23 July, 27 July and 29 July and requested the account details that the funds had been transferred to, but it didn't receive a response.

PayPal told us:

- O hadn't made them aware that the account information it had input on their system was incorrect and changed this online without notifying them. When O had contacted them, to say the payment hadn't been received, it had provided the correct account number – not the one it had initially input and where the payment had been received into.
- If O had contacted its bank and provided the incorrect account information which it had input on their system, the bank may have been able to recover the funds. They had also provided the account details to which the 'missing' funds had been credited to on 15 July 2023.
- They weren't responsible for the 'missing' funds as they had been paid to the account details that O had input, confirmed as being received by the bank and subsequently withdrawn.

Our investigator recommended the complaint be upheld. He said it was likely that O had input the incorrect account number for PayPal to transfer the funds to. However, if PayPal

had provided the required account information at the time O had made them aware the payment hadn't been received, it's likely the receiving bank could have located the payment and returned it. Instead, by the time this was provided, the balance had been withdrawn – so the investigator thought PayPal should refund the full payment of £1,867.99.

PayPal didn't agree. They said that O hadn't said they'd input the wrong account number, and the subsequently changed this, and if they'd made the bank aware of this, it may have been able to recover the funds.

I issued a provisional decision on 18 August 2023. I said the following:

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 it. However, unlike our investigator I don't think PayPal are solely responsible for O's loss. I'll explain why.

O says that PayPal didn't provide the account details that the payment had been made to despite numerous requests in July 2023. It says that had PayPal provided this information more quickly, its payment could have been returned so PayPal should refund it. But I don't agree. I say that because I've seen evidence that it was O who input the incorrect account details on the system where the missing funds were credited to - rather than an initial error by PayPal.

I recognise that O says it wasn't aware of the incorrect account details, or the subsequent correction when the error was identified, and a dispute raised with PayPal. However, these details and changes were input by O's representative – who had been given permission on the company's behalf to do so. I've also seen that when the fund withdrawal request was submitted to PayPal, an alert was provided to say that the payment would be credited to O's account within minutes. However, the withdrawal was requested on 20 June, and it wasn't until 13 July that O checked the account details and identified they were incorrect – nearly a month later.

O says PayPal could have provided the bank details sooner – and I agree that's the case. However, I do also need to consider that when O logged into the PayPal system to change the account details, it would also have seen the incorrect account number. So even if it hadn't known there was an error prior to this, from 13 July onwards, it could have made the third-party and PayPal aware they had made a mistake so a dispute could be raised. So I think O could have done more to mitigate its losses here.

PayPal says that they are not responsible for O's losses as it was the company that input the incorrect bank details for the funds to be withdrawn into. It's not disputed by either party that O made an error with the account details initially, however I think PayPal could also have done more here to help the company recover its funds.

I've seen that O contacted PayPal on 13 July to say that the funds hadn't been received. At that time, PayPal provided a reference number which they believed the third-party bank would be able to use to locate the payment. I think this was reasonable. However, O then contacted PayPal on 20 July, 23 July, 27 July, and 29 July to tell them that the third-party bank couldn't locate the account using this reference, and needed the account details the payment had been paid into.

I've seen that PayPal didn't respond to these requests and didn't investigate/request return of payment until 6 October 2022 when this service became involved. So I think PayPal's actions have, at least in part, prevented O getting its funds returned.

However, this doesn't change the fact that O's representative knew the account details were wrong and had the account number that the payment had been credited to before O had contacted PayPal on 13 July to raise the dispute and again on 27 July when it claimed the payment hadn't been received into its own account – which it, or at least its representative knew - wasn't the case.

PayPal told us that despite numerous requests, the third-party bank didn't respond within the deadline so they've done what they can to try and recover O's funds. Both of these parties have a difference of opinion about when contact was made between them - but I'm not persuaded that makes a difference here. I say that because the third-party bank told us that it could only have 'ring-fenced' the money incorrectly received by its customer for two months – which means it would have needed to do this before 20 August. So it couldn't simply return O's money after this point – even if there was a credit balance held in the receiving account.

I've also seen guidance from the UK banking sectors digital network provider which confirms this is the case – after two months, the funds can still be recovered but only if the person(s) who received the funds in error gives authority for them to be debited from their account. As the third-party bank hasn't been able to obtain this from its customer, O would now need to take legal action to recover their money. I've seen statements of the receiving account which show there was sufficient funds held in the account in August and September. So I think it's likely that had PayPal looked to recover this when O contacted them on 20 July, the company would've had a greater chance of getting its money returned.

Based on what I've seen, I think both O and PayPal have both contributed to the loss of funds here. However, I think O already had the information that it needed to request the return of the payment when it contacted PayPal so for that reason, I don't think PayPal should refund O for the missing payment. But it's clear PayPal caused O inconvenience by not responding to its emails, and not attempting recovery of O's payment until several months later. So I think PayPal should pay O £300 for the inconvenience caused.

I invited O and PayPal to give me any more evidence and information they wanted me to consider before issuing my final decision. PayPal accepted the decision and had nothing further to add. O didn't accept the decision. It said in summary:

- It doesn't agree that O had the information needed to request the return of the payment and asked for clarity over the evidence provided by PayPal.
- It's unreasonable to expect O to record what the incorrect details were, when it should have only had to worry about ensuring the correct information was input. It doesn't feel O should have known those details were required for its funds to be recovered.
- Neither PayPal or the receiving bank were helpful in recovering the money, and it believes it was reasonable for PayPal to have sourced the receiving account details more quickly.
- It's unhappy with the amount of compensation payable and believes PayPal's lack of response led to it not receiving its funds back, so it should bear a greater responsibility for the loss.

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 have come to the same conclusions as I did in my provisional decision, for the same reasons. I now confirm those provisional conclusions as final.

O says that it didn't have the account information which had been input correctly to request the return of the funds, nor should it have known these details would be required to return the payment. It also requests further information on the evidence provided by PayPal. As a service, we're governed by rules set by the industry regulator, the Financial Conduct Authority (FCA). They're called the DISP rules and can be found in the FCA's handbook. These rules set out how we approach complaints, in this case DISP rule 3.5.9(R) allows me to accept information in confidence where I consider it appropriate to do so.

In this case, the information provided by PayPal shows that when O logged into the PayPal system, it would have clearly seen the account details which it had entered originally. These details differed from O's account number slightly, so I think it would have been clear to O when it looked at this, that it had made an error when it had added the details originally. Due to nature of the information provided by PayPal, I won't be providing a copy of this evidence to O, but I'm satisfied that it would have clearly seen this information.

I recognise O's comments that PayPal could have done more here to assist it – and I have taken this into account when making an award for the inconvenience caused from the company having to chase for a response. However, I don't agree that PayPal should be more liable than O, given that the company input the details incorrectly in the first place. O was also aware that it should have received the payment within minutes – given that it received confirmation of this from PayPal when making the withdrawal. Instead it waited over a month to raise a dispute with PayPal, and when it did so, it didn't make them aware it had input an incorrect account number. Even if it hadn't made a record of the actual account number, I think it would have been reasonable for O to make PayPal aware this was the issue, so they could have provided more accurate information on the original request.

I understand why O believes PayPal is more responsible for this and that the compensation paid isn't enough. But after considering all the information from both parties, I am recommending PayPal pay O £300 for the inconvenience caused by not responding to its enquiries in a timely manner - as I don't think PayPal is responsible for the financial loss and related impact that O believes is the case.

My final decision

My final decision is that I uphold this complaint. I instruct PayPal (Europe) Sarl et Cie SCA to pay O £300 for the inconvenience caused.

Under the rules of the Financial Ombudsman Service, I'm required to ask O to accept or reject my decision before 10 October 2023.

Jenny Lomax
Ombudsman