

The complaint

Mr T complains about his account with PayPal (Europe) Sarl et Cie SCA ("PayPal").

What happened

Mr T made 14 payments of £500 over a four-hour period from his bank account to a betting company, via his PayPal account.

After losing the money, Mr T didn't have the funds to cover the losses, so his bank blocked the payments. This meant instead of his bank account being in a negative balance (and an unauthorised overdraft) it took his PayPal account in a negative balance instead.

Mr T complained to PayPal, as he said the payments shouldn't have been authorised by PayPal when the funds weren't available. Mr T has also said PayPal should've had safeguarding protection in place to stop him from using such a high amount of money in a short space of time and it has given him a credit facility he didn't ask for.

PayPal looked into the complaint but didn't agree it had acted unfairly. So, Mr T brought his complaint to our service.

Our investigator looked into the complaint but didn't uphold it. Our investigator found that Mr T accepted PayPal's terms and conditions when he opened his account, and one of those terms was that he gave PayPal continuous permission to charge his funding source – in this case his bank account. She went on to say that as Mr T had initiated the payments, the onus was on him to make sure there were funds available in his bank account to cover the transactions.

Mr T didn't agree with the investigator's view. So, the complaint's been passed to me 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.

It's clear from Mr T's comments to our service that he feels very strongly about his complaint. And I've read all the information he has sent carefully. Having done so, I've decided not to uphold this complaint. I'll explain why.

When Mr T signed up to his PayPal account, he agreed to a set of terms and conditions, these are also referred to as a User Agreement. One of those terms and conditions which I have seen, was to allow PayPal to make payments from Mr T's nominated banking account when he initiates them - as it has done with the transactions in this complaint. So, I don't find PayPal have breached any terms or conditions when they have made the payments, or that it has acted unfairly by doing so.

The user agreement goes on to say.

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.

So, based on the above, even though Mr T's bank blocked the payments from his nominated bank account, and he didn't delete the funding source – he is still liable to pay the amount PayPal sent to the betting company.

Mr T has said that PayPal should've realised what the transactions were for and stopped them from being paid. But I don't agree. PayPal may prevent a payment if the user is in breach of their User Agreement, but I can't see that this happened here. It worth noting that PayPal also wouldn't have known what the payments in this transaction were for, just the name of the business they were going to. So, I don't find PayPal have acted outside of its terms and conditions or acted unfairly by not stopping the payments. At the point the payments were made, PayPal also wouldn't have been aware that the money was being lost through gambling, and this is also not something they needed to be aware of.

I've also not seen anything to evidence that Mr T made PayPal aware of his gambling issue before the payments in this complaint were made. I have considered the impact it may have had on the payments had he done this, and I'm still not convinced PayPal would've needed to take any action. It would need to be Mr T's bank that prevented the payments from being made, as this is where they originated from.

I understand Mr T has said PayPal have given him credit facilities that he didn't want by allowing the transactions to go through. But PayPal haven't lent Mr T any money or given him any credit. Mr T's PayPal account is in a negative balance as his bank blocked the transactions.

Mr T has raised concerns about the fact no checks were done to make sure the money was available. I've thought about this point carefully, but it doesn't change my outcome. PayPal wouldn't have access to see what funds were available in Mr T's account, due to it being a payment service provider rather than Mr T's own bank.

Although I haven't found PayPal have done anything wrong in the circumstances of this complaint, I have still gone on to think about what I think most likely would've happened if PayPal had flagged the payments and called Mr T to intervene. Given Mr T was sending money to his own account with the gambling website, and this wasn't part of a fraud or scam, I expect Mr T would've been able to answer any questions PayPal may have had and convinced the advisor he wasn't at risk of financial harm.

I say this as Mr T had made a considerable number of transactions to and from this same website over a long period of time. During that period, Mr T hadn't raised any concerns about how he was spending the money or that he was at risk of harm.

In summary, Mr T instructed PayPal to make the payments from his bank account to the betting company and I'm satisfied he was aware he didn't have the funds available that he was spending. And I haven't found PayPal have done anything wrong when they have allowed the payments to go through.

PayPal have offered Mr T £550 which he is free to accept.

My final decision

My final decision is that I don't uphold this complaint

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr T to accept or reject my decision before 20 November 2023.

Tom Wagstaff
Ombudsman