

The complaint

Mr A is unhappy that PayPal (Europe) Sarl et Cie SCA failed to refund a purchase he'd made back to his bank account.

What happened

In December 2020, Mr A purchased some airline tickets at the cost of £2,315.32. He made this purchase through his PayPal account, with the money being taken by PayPal from his bank account with a company I'll call 'B', before being forwarded to the airline. This was a normal transaction, following PayPal's typical process.

Mr A didn't take the flight, and, in February 2023, the cost of the tickets was refunded to his account with PayPal. To refund the money to Mr A, PayPal said they needed to send it back to the original funding source – Mr A's account with B. However, Mr A advised PayPal that, in the intervening years, he'd closed the account with B.

PayPal explained to Mr A that they were required to attempt to make the payment but, if there was no account with B where the money could be received, the funds would bounce back to PayPal. And they'd then be able to arrange to pay the money to Mr A via an alternate method.

PayPal sent the money to B, but it didn't bounce back. Mr A queried this, and PayPal explained the refund had been successful, and accepted by B. However, Mr A obtained a letter from B explaining that any payments made to a closed account would be returned within five working days. And B were unable to trace the payment.

Unhappy with this, Mr A complained to PayPal. PayPal responded and said B hadn't rejected the payment, and they provided further information which Mr A could use to trace the payment with B. Mr A wasn't happy with this response, and he brought his complaint to the Financial Ombudsman Service for investigation.

Our investigator initially said PayPal had provided evidence the payment had been successfully received by B, and that they'd said they'd completed three separate trace attempts and hadn't received any refund. So, because the investigator hadn't seen anything to suggest the payment wasn't successfully made, nor that B had refunded the money to PayPal, he didn't think PayPal needed to do anything more.

Mr A wasn't happy with this, and a separate investigation into B indicated that B didn't have the funds PayPal sent them. The investigator asked PayPal for further evidence of the traces they'd completed, and the results; as well as evidence showing the funds weren't received in their rejected entries / suspense accounts.

In reply, PayPal provided an internal email asking for a trace to be completed. This email confirmed that the payment was successfully processed back to B, but that they had no means of checking whether this return of funds was successful.

Given this new evidence, the investigator reissued their view. The investigator said that PayPal hadn't provided sufficient proof that the funds hadn't been returned from B. So, he said that PayPal should refund the £2,315.32 to Mr A, along with statutory interest from 24 February 2023 – the date the refund should've been paid. The investigator also said that PayPal should pay Mr A an additional £150 for the distress and inconvenience he'd been caused.

PayPal didn't respond to the investigator's revised view, so this matter has been passed to me to make 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.

Having done so, I've reached the same overall conclusions as the investigator, and for broadly the same reasons. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome. Where evidence has been incomplete or contradictory, I've reached my view on the balance of probabilities – what I think is most likely to have happened given the available evidence and wider circumstances.

Based on the evidence I've seen, it's not disputed that PayPal received the refund of £2,325.32 from the airline, which was put into Mr A's account with them. PayPal say they sent this money to B on 24 February 2023, but this hasn't been returned to them.

Our investigation into B showed that B didn't have the refund PayPal sent them – it hadn't been applied to any live account Mr A had with them; his closed account details hadn't been allocated to a new customer, so the money hadn't been paid to an unknown third-party; and B provided evidence the money wasn't sitting, unallocated, in any of their suspense accounts. Like PayPal, B also said that if funds were received into a closed account, these would automatically be returned to the sender, in this case PayPal.

As such, based on what I've seen, I'm satisfied it's more likely than not that the payment sent by PayPal to B was refunded to PayPal, probably within five working days of the date it was sent – this is the timescale in which both PayPal and B have said such a transaction would happen. However, PayPal aren't able to provide any evidence of their attempts to trace this refund, nor are they able to evidence this refund hasn't been paid into any of their suspense accounts.

Putting things right

While I accept PayPal's comments that they haven't received the money back from B, for the reasons stated I'm satisfied that PayPal should refund the money direct to Mr A. However, if PayPal wish to continue to pursue this matter with B direct, I'd expect Mr A to provide them with any reasonable assistance, if asked.

It's also clear that Mr A has been inconvenienced by what's happened, and by having to pursue a complaint with B, even though PayPal weren't able to provide any evidence they hadn't received the refund. So, I think PayPal should compensate him for this. The investigator had recommended PayPal pay him £150, which is in line with what I would've directed had no recommendation been made. So, I see no compelling reason not to adopt this as part of my final decision.

Therefore, PayPal should:

- within 14 days of being notified of Mr A's acceptance of my decision, refund him £2,315.32, either directly into a bank account of Mr A's choice, or by cheque;
- apply 8% simple yearly interest on the refund, calculated from 24 February 2023, the date PayPal originally attempted to send the money to B, to the date of the refund[†]; and
- pay Mr A an additional £150 to compensate him for the trouble and inconvenience he's been caused.

[†]If HM Revenue & Customs requires PayPal to take off tax from this interest, PayPal must give Mr A a certificate showing how much tax they've taken off if he asks for one.

My final decision

For the reasons explained, I uphold Mr A's complaint about PayPal (Europe) Sarl et Cie SCA. And they are to follow my directions above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 14 March 2024.

Andrew Burford
Ombudsman