

The complaint

Mr F complains PayPal (Europe) Sarl et Cie SCA withheld a payment he received and also attempted to take a payment from his bank account that had already been paid.

What happened

In November 2022 Mr F received a payment into his PayPal account of \$500. Mr F's account was flagged for additional checks and PayPal held \$237.19 as part of their process.

PayPal asked Mr F to provide proof of delivery for the goods he sold, but as they were an online product, Mr F was unable to do this. So, PayPal held the funds for the full 21 days.

Mr F also says that he made a payment that PayPal said was sent, that it then tried to take several days later. As there were no funds available at this point, PayPal continued to attempt to take the payment. Mr F says he then got charged for a failed direct debit by his bank. So, he raised a complaint with PayPal.

PayPal looked into the complaint but didn't uphold it. So, Mr F brought his complaint to our service.

Our investigator looked into the complaint but didn't think it should be upheld. Our investigator didn't find PayPal had acted unfairly by withholding some of Mr F's funds. Our investigator went on to say that PayPal hadn't found any evidence of any pre-approved payments to explain the failed direct debit charge.

I issued a provisional decision on 14 February 2024. In it I said.

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 come to the same outcome as the investigator, for largely the same reasons. I'll explain why.

I'm very aware that I've summarised this complaint briefly, in less detail than has been provided, and in my own words. No discourtesy is intended by this. Instead, I've focussed on what I think is the heart of the matter here. If there's something I've not mentioned, it isn't because I've ignored it. I haven't. I'm satisfied I don't need to comment on every individual point or argument to be able to reach what I think is the right outcome. Our rules allow me to do this. This simply reflects the informal nature of our service as a free alternative to the courts.

Holding of funds

For me to say PayPal did something wrong, I'd need to be satisfied that they failed to act within the terms of the account's User Agreement. Or, if I feel like they did work within these, that it was unfair for them to limit the account and withhold funds in the circumstances of this complaint. And in this situation, I don't think that's the case.

It's common industry practice for firms to monitor accounts for activity which may fall outside their risk appetite, and accounts will often be restricted to prevent potential losses while carrying out a review.

In the circumstances of this complaint, Mr F has complained that a payment he received was held by PayPal whilst they reviewed his selling activity.

I understand Mr F has said he has received higher payments before without any issues.

PayPal decide when they want to review an account, and this may not always be due to the size of the payment. The parameters PayPal use to flag an account for additional checks isn't something they need to disclose, but I believe the investigator on this complaint has sent that information to Mr F. Having seen and considered the reasons for PayPal holding the payment whilst they reviewed the account, I'm satisfied they haven't treated Mr F unfairly.

This is also covered in the User Agreement Mr F signed up to. It says:

Holds

A hold is an action that PayPal may take under certain circumstances either at the transaction level or the account level. When PayPal places a hold on a payment amount, the money is not available to either the sender or the recipient. PayPal reviews many factors before placing a hold on a payment, including: account tenure, transaction activity, business type, past customer disputes, and overall customer satisfaction. Some common situations where PayPal will hold payments include where we have reason to believe that:

- A user has not provided sufficient Information to us to enable us to verify their identity or the identity of their business and/or the user has a limited trading history with PayPal.*

Due to the nature of the product Mr F sold, he was unable to supply evidence of the goods being received by the buyer. So, PayPal held the funds for the full period. I understand Mr F says PayPal would've been aware of the nature of Mr F's business as there had been previous contact. I've considered this point carefully, but I'm satisfied the hold wasn't unfairly applied based on the reasons given above.

In summary I'm not upholding this part of Mr F's complaint, as I haven't found PayPal have acted unfairly or outside of the terms in the User Agreement.

Duplicate payment

Mr F has complained that he has incurred charges on his bank account when PayPal attempted to take a payment that was already processed, and the funds were then no longer there.

PayPal have explained in their response to Mr F's complaint that although they will pay the intended individual or business of the payment straight away, it can then take up to 10 days after to claim the funds from the bank account. PayPal also confirmed to our service that on this occasion, they attempted to take the money from Mr F's account within two days of the payment being made.

Having seen the statement PayPal have sent, it's clear the payment was only taken once and on the other attempts the transaction couldn't be completed, most likely as the funds were no longer there. I understand Mr F thought the funds would be claimed straight away, but that wasn't the case.

Although Mr F may have had the funds available on the 24 March when he initiated the payment, between the 24 March and 30 March when PayPal attempted to claim the funds the money was no longer there, so the payment failed. I've also seen a copy of Mr F's bank statement and it looks as though he moved the full balance of his account out on the same day he attempted to make the payment.

PayPal have gone on to say that it doesn't set up a regular Direct Debit on customers' accounts, but it does have a continuous payment authority set up to allow it to take and receive payments from accounts, including Mr F's. This is what the bank would've seen when they looked into the Direct Debit instruction on Mr F's account. This is common practice for PayPal to set up payments in this way and I'm satisfied that no mistake has been made in doing so.

This is also explained in the User Agreement. It says:

By linking a funding source to your PayPal account, you give us continuous permission to automatically charge that funding source (subject to this user agreement and the terms of any mandate (e.g. bank direct debit) used by the provider of that funding source to set up and maintain that authority) for the required value of the electronic money:

This is further evidenced by the fact Mr F no longer has a funding source set up on his account as his bank cancelled the mandate on his instruction.

In summary, although I understand Mr F thought his payment would be made and requested on the day it was initiated, I'm satisfied that it's common across the payment industry for payments to be taken after the payment date and Mr F would've needed to make sure the funds were still available until the payment was showing as completed.

I can see that on 24 November 2022 Mr F was offered £12 credit to compensate him for the £12 failed direct debit fee, which he accepted.

PayPal didn't respond

Mr F said.

- PayPal should've placed a hold on the funds – which is standard banking practice.
- PayPal set up an unauthorised Direct Debit instruction.
- The £12 payment was accepted by Mr F for each month the issue was outstanding and not a flat £12.
- Mr F had received a higher amount previously and this set a precedent.
- Mr F has since been able to manually increase his limit.

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, and after considering the additional information Mr F has sent me, I'm satisfied that they don't change the outcome I arrived at in my provisional decision. I'll explain why.

Mr F has said that PayPal should've placed a hold on the funds, as this is what banks do. Although I understand the point Mr F is making here, PayPal operate differently to a bank, as they are a payment initiation service and can decide how they want to structure their payment system. In doing so, it has decided they don't place automatic holds on payments, and it's down to the consumer to make sure the money is available to be taken. Mr F was aware of the amount he sent, he was also aware of what his balance was, but he moved the money before it had a chance to be claimed. So, I don't find PayPal have acted unfairly or against its terms here.

Mr F says he accepted an ongoing compensation of £12, but I can't see that PayPal did ever agree to this. It did offer a one-off payment of £12 and although Mr F's intentions may have been to agree to a higher amount, by saying he accepted, in doing so he agreed to what PayPal had offered.

Mr F may have been able to accept a higher payment before and after the payment in the circumstances of this complaint. I'm satisfied that PayPal can decide when it wants to limit and perform extra checks on an account, and it may not always fall in line with a logical series of amounts. That's for PayPal to decide.

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 F to accept or reject my decision before 12 April 2024.

Tom Wagstaff
Ombudsman