

The complaint

Mr D complains that PayPal (Europe) Sarl et Cie SCA will not refund a payment he says he did not authorise.

What happened

Mr D holds an account with PayPal. In July 2022 he says he realised that there had been some payments made via his PayPal account which he did not recognise – a payment for £2,714.14 in May 2022, and then four small payments of £1 to £2 in July 2022. Mr D says he logged into his PayPal account and realised that the contact number on his account had also been changed. He raised a dispute regarding these payments with PayPal.

PayPal reviewed the disputed payments, it refunded the small payments from July 2022, but did not agree that there was evidence to show that the May 2022 payment had not been authorised, so it declined to refund that payment to Mr D. Mr D maintains that he did not make this payment, so he referred his complaint to us.

Our Investigator looked into what had happened. But they ultimately did not feel there was enough evidence to show that the payment had not been authorised by Mr D, so they did not recommend that PayPal refund the disputed payment to Mr D.

Mr D remained unhappy, so this case has been passed to me for a 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 conclusions as our Investigator set out, and for the same reasons.

The relevant law here is the Payment Services Regulations 2017, and broadly speaking Mr D is responsible for any payments that he has authorised (either by making them himself or allowing someone else to) and he isn't responsible for unauthorised payments. So, the key question here is whether PayPal has acted fairly in concluding that Mr D did authorise the disputed payment or otherwise allow it to be made.

I'm satisfied from the bank's technical evidence that Mr D's genuine PayPal account details were used to make the disputed transaction. But the regulations relevant to this case say that is not, on its own, enough to enable PayPal to hold him liable. So I also need to think about whether the evidence suggests that it's more likely than not that Mr D consented to the payment being made.

From what I've seen, I don't think it's unreasonable for PayPal to conclude that Mr D authorised the transaction. I say this for several reasons.

The first disputed event linked to the account is the adding of a new phone number on 1 April 2022. PayPal's evidence suggests that, in order for a third party to do this, they would need to have Mr D's PayPal login details, details of the card linked with the account, and that the existing phone number on the account – which was Mr D's genuine phone number – would have also been used to authorise the addition of the new phone number. It is difficult to see how a third party could have therefore added this phone number without Mr D's knowledge.

There was then a payment on 3 April 2022 for around £200 which appears to have been for a flight. Mr D did not raise this payment as part of his original complaint to PayPal but he has now said this payment as also not carried out by him. This 3 April payment is not being considered as part of this complaint, but I will nonetheless comment on it as context for the payment that followed.

The next payment was on 7 May 2022 for £2,714.14 for an overseas accommodation booking. The evidence from the merchant regarding this booking shows that the email address given was Mr D's legitimate email address at the time, the merchant has also said that a confirmation email was sent to that email address. Mr D has said that his laptop and email were compromised by a 'hacker' but has given us only very limited information about this. And it is difficult to see why a malicious third party who had access to Mr D's PayPal account would make these payments – which appeared to be for a holiday, and where the merchant has said the accommodation was not even used – over an extended period of time and using Mr D's genuine email address as a point of contact. This is not the kind of behaviour we would usually expect to see from a fraudster.

I'm also aware that the payments from Mr D's PayPal account were ultimately funded by automated payments from his linked account, and I've not seen any explanation regarding why Mr D did not notice such a large sum of money leaving this account until several months later.

I note that PayPal did refund the small payments made in July 2022, but this appears to have been because they were unusual in nature, rather than because any unauthorised access had actually been detected. So, I don't think the fact that PayPal refunded these payments means that it should also refund the earlier payment that is in dispute here.

With these points in mind, I don't consider that I have seen evidence to show that a third party would have been able to make the disputed payment without Mr D's knowledge. So I'm satisfied from the evidence I've seen that, on balance, it was reasonable for PayPal to decide that it was more likely that Mr D authorised the disputed payment or otherwise allowed it to be made. It follows that PayPal is entitled to hold him liable for it.

I know this will be very disappointing for Mr D, but I hope he will understand the reasons for my decision.

My final decision

I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr D to accept or reject my decision before 25 April 2024.

Sophie Mitchell
Ombudsman