

## The complaint

Mr M complains about how PayPal UK Ltd handled some payments he made.

## What happened

Mr M made two payments to another PayPal account which looked to have been successful. He then realised that these had been sent as e-cheques, which wasn't how he wanted to send the payments, as they would take some time to clear. Mr M asked PayPal why these had been sent as e-cheques. Mr M wasn't happy with its response and asked that this be dealt with as a complaint in PayPal's chat messaging function. PayPal told Mr M that he would have to raise a complaint on its website rather than the chat function. He wasn't able to follow these instructions though and was referred back to the chat function. Eventually he tried calling PayPal but was on hold for nearly 30 minutes, so terminated the call.

Mr M brought his complaint to this service where PayPal provided a response. It explained that the payment was made as an e-cheque because this was the only way its security system would allow for the payment to be made. So even though Mr M may have instructed the payment to be made one way, PayPal's security system reviews every payment and can change a payment method, which is what it did here.

PayPal maintained that it hadn't done anything wrong in how it processed the payments. In terms of Mr M trying to raise a complaint with it – PayPal said that it provided the steps needed but he couldn't see them. It then suggested Mr M use the website but he advised he was going to approach our service by this point. PayPal believed it had acted correctly but offered Mr M £50 for the inconvenience caused.

Our investigator put the offer to Mr M and said this was fair as PayPal provided information to show that both transfers could be completed by card or e-cheque and neither of these options stated that the transfer would be instant. Mr M didn't accept this and clarified that his complaint was wider than just how PayPal treated the payments here and also related to how it handled his complaint. But our investigator maintained that PayPal had acted fairly. Mr M remained unhappy with this and so the complaint was passed to an ombudsman to decide.

## 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.

In terms of how PayPal treated the payments here, I'm satisfied that it was entitled to process the payments as e-cheques. At the time Mr M made the transactions, PayPal's User Agreement explained that

*When we receive a payment from your funding source we may store the resulting electronic money in your reserve account for as long as we have reason to believe that there is risk of reversal by the funding source provider. This is because we do*

*not have all the information necessary to place the funds from your payment at your disposal in your PayPal balance while there is such a risk of reversal.*

*When you instruct us to make a payment from your account to another user funded by a payment from your bank account and we store the resulting electronic money in this way, we call this type of payment from your bank account an “eCheque” payment.*

PayPal has explained why it treated Mr M’s payments in this way here, including providing some further detail of this in confidence to this service such that it can’t be shared with Mr M. Having considered this, I’m satisfied that it took this action fairly in the circumstances and didn’t need to tell Mr M about this in advance. In any event, the impact on Mr M here isn’t particularly clear. He has only provided a brief explanation about what the impact of this was on him, saying that he had to cancel plans as a result of not being able to make a contribution to a booking.

So moving onto the service that PayPal provided Mr M, I’ve considered all he’s had to say about the problems he faced when trying to raise a complaint in relation to this issue. It does look like Mr M made clear to PayPal that he was dissatisfied with what it said in relation to these payments. PayPal advised Mr M on how he could raise this as a complaint, either using email or the relevant section of its website.

Mr M has said that this is inappropriate friction and represents a barrier to him complaining under the rules set by the regulator. I can see why he says this – after all, he had made a complaint and expressed dissatisfaction using one of PayPal’s communication methods. But having seen the messages PayPal was exchanging with Mr M – it does look to have correctly signposted Mr M to its website and to have explained the steps he would need to follow to raise his concerns as a formal complaint.

PayPal is entitled to determine how its complaints process works as a business and here, I don’t think it acted unfairly or unreasonably in respect of Mr M’s interactions with it. It explained the situation to Mr M in respect of why it treated his payments as it did and when he asked to raise the issue as a complaint, it told him how to do this with a step-by-step instruction.

Mr M said that he couldn’t see the relevant option and then PayPal suggested that he check its website. At this point Mr M said he had referred his complaint to this service and so PayPal couldn’t do any more to help him. I see why Mr M views this as being a barrier to his complaint – but in the circumstances, I think PayPal acted fairly by explaining what he could do if he wanted to raise his complaint through its process.

Regardless of how PayPal dealt with this – I note it has offered Mr M £50 for any inconvenience caused here, as it recognises that this wouldn’t have been a pleasant experience for him. I think that’s a fair offer in the circumstances to resolve this complaint and so PayPal should pay that to him.

### **My final decision**

My final decision is that PayPal UK Ltd should pay Mr M £50 to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I’m required to ask Mr M to accept or reject my decision before 22 October 2024.

James Staples

**Ombudsman**