

The complaint

Mr X complains PayPal UK Ltd trading as “PayPal” refuses to refund him for unauthorised transactions on his account.

What happened

The facts of this case are well known to both parties, so I won’t repeat them in detail here.

In summary, Mr X says an unknown bank account was added to his PayPal account and £50 was sent to this account from his PayPal balance – which he says he didn’t authorise. Then, on 8 March 2024, Mr X accidentally transferred £2029 from his PayPal balance to this unknown account as it was listed as the default account attached to his PayPal. Mr X says as this account was not added by him both these transactions are unauthorised and he would like PayPal to refund this money.

PayPal says the evidence from his account activity suggest it was Mr X himself who added the account, verified a payment made into this account and made both disputed transactions. So, it has held Mr X responsible for these transactions.

Our investigator considered this complaint and decided not to uphold it. Mr X disagreed so the complaint has 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.

Having considered the evidence, testimonies, and relevant legislation (The PSR’s) I am not upholding this complaint. I have been unable to identify a compromise of Mr X’s PayPal account and on balance, the evidence persuades me it’s more likely than not that the disputed transactions were authorised. I’ll explain why.

PayPal has provided evidence to show that the account the funds were sent to was added to Mr X’s PayPal account on 7 September 2023. It also shows this was completed on a known device linked to Mr X’s account and had been logged into the app via face ID, and via one of the regular IP addresses often used for Mr X’s account activity. Mr X says no one else has access to his phone or PayPal account and he lives alone. So, it’s likely this was completed by Mr X himself.

Mr X says this could’ve been done by a fraudster as he was out on a night-out that night. But when this account was set-up, it was done so from one of Mr X’s two regular IP addresses, which is likely to relate to his home internet service, or office internet access or another frequently used location - and not a club or bar or another outside establishment. The setup of this account was also completed via the Universal Automated Clearing House (UACH) system. This is a system which randomly deposits a low amount in the bank account which then needs to be confirmed in the PayPal app by the account holder entering the exact amount that was randomly deposited. This is a method of verifying the accounts ownership.

PayPal's records show this step was completed successfully. So, I am satisfied this was also likely to have been completed by Mr X himself.

The disputed transaction of £50 to this account, ending 3560, was carried out on 7 September 2023. Again, PayPal has evidenced that this was done via one of Mr X's usual IP addresses and the PayPal account had been logged in via Face ID. There is no evidence of any other account access from an unknown device or IP address. So again, I think it is likely this was completed by Mr X, as there is no evidence to suggest otherwise.

On 8 March 2024 Mr X says he intended to send money to his account ending 3760, but accidentally sent £2029 to the account ending 3560. He says this is because the account was the default account and so he assumed it was his regular Lloyds account. As per the guidelines set out in the Payment Service Regulations 2017, I think this transaction was authorised, and Mr X doesn't disagree. He says he made this payment himself. However, he says this account shouldn't have been added to his PayPal as it was not verified, and it was added fraudulently. But as I have explained above, I think it more likely than not was added by Mr X and it was verified via the UACH system. So, I don't think PayPal has done anything wrong by allowing this account to be added and sending the money to this account as instructed.

I appreciate this decision will be very upsetting for Mr X and I do have sympathy for his situation. However, my role is to look at all the evidence, and then reach a decision that takes this into account and is fair to both parties. That means I consider PayPal's position as much as I do Mr X's. And what Mr X's asking for here is for PayPal to use its own funds to pay him back money that he accidentally sent to a different account than intended. But for all the reasons outlined above I don't think that would be fair. So, I am not upholding this complaint.

My final decision

I am not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr X to accept or reject my decision before 16 January 2025.

Sienna Mahboobani
Ombudsman