

The complaint

Mr G complains that PayPal UK Ltd “PayPal” allowed him to use his account to gamble extensively without any interventions or checks.

What happened

Mr G says he has a gambling addiction, and this resulted in him sending nearly £52,000 from his PayPal account to gambling companies between October 2023 and October 2024. Unhappy that PayPal allowed him to make such transactions, Mr G complained to PayPal.

PayPal issued a final response to Mr G’s complaint on 18 October 2024 and said that gambling transactions were not eligible for a refund according to its User Agreement and so it did not uphold the complaint.

Unhappy with PayPal’s response to his complaint, Mr G referred his complaint to this service. One of our investigators assessed the complaint, but they did not think that PayPal had acted incorrectly, unfairly or unreasonably, and so they didn’t uphold the complaint.

As Mr G didn’t accept the investigator’s assessment, the complaint was referred for an ombudsman’s decision.

I issued a provisional decision on 5 March 2025, explaining why I was minded to partly uphold the complaint. I have included an extract of my provisional decision below and it forms a part of this decision.

“What I’ve provisionally 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 everything, I’m currently minded to partly uphold this complaint. I will explain why that is below.

Firstly, I agree with most of what the investigator had said in their assessment. So for example, what the investigator said about how gambling blocks work was correct. Such blocks usually operate based on Merchant Category Codes (MCCs) - where any payments made directly to a merchant that uses a gambling company MCC to process payment would be caught by such a block. But because Mr G was making the payment from his PayPal account, this meant that his bank recognised the payments as being made to PayPal, rather than to the underlying merchant. And this of course meant that the payments were being processed under a different MCC than a gambling company would typically use.

Mr G says that the above is unacceptable and a fundamental flaw in the payments system. However, whilst I appreciate Mr G's view on this, at the same time no gambling block is 100% foolproof. And ultimately, I can't reasonably hold PayPal responsible because Mr G's bank allowed payments to PayPal to be made.

Furthermore, and more importantly, PayPal says it wasn't informed either of Mr G's gambling addiction or indeed that he'd set up a gambling block on his debit card. So the starting point here is that I can't say that PayPal should not have processed the payments as it did.

Also, although Mr G said that he didn't always have the money available for some of his transactions, as the investigator explained, it can take a while for a payment to be processed. So, if a customer has insufficient funds to cover the request, as happened with some of Mr G's transactions, PayPal attempts to charge the backup funding source, which I can see it did on occasion. Mr G says that his back up payment source was a credit card where the funds could not be taken from. Mr G says he hoped that PayPal wouldn't have allowed funds to be taken from the same payment that continuously failed. But in such situations, PayPal was simply following its automated payment processes in such situations. And on each occasion there was an issue, it seems that Mr G was then able to cover the payments he was making through PayPal. Based on the amount of times this happened on Mr G's account, I can't say that PayPal attempting to take payment from a backup payment source in itself ought to have given PayPal cause for concern.

However, PayPal says that it was monitoring Mr G's account but didn't notice anything unusual. And as Mr G had not told it about his gambling problem – that is until he raised his complaint in October 2024 – it says it was unaware of the issue.

However, I don't agree that it was solely incumbent on Mr G to have told PayPal about his circumstances. I appreciate it is simpler for businesses like PayPal to react when consumers proactively say they are vulnerable. But I think it's fair to say that there is also an understanding that vulnerable consumers may not be able to do this at the height of their vulnerability. I think it is reasonable to say that PayPal also has a responsibility to react if there are clear signs that its customers are vulnerable.

In the case of Mr G, I think there were clear signs from the activity on his account that he was vulnerable and struggling to control his spending. For example, between October 2023 and October 2024 Mr G had made many payments to payees who were clearly gambling companies. And there is a consistent pattern of him regularly sending multiple amounts to gambling companies on the same day. From what I can work out, the payments made from Mr G's PayPal account to gambling companies in this 1 year period came to around £52,000.

I recognise that PayPal might not necessarily review each and every payment that its customers make. I also recognise that PayPal may not have as good an appreciation of its customer's financial circumstances, compared to, say, the customer's own bank would. But equally, it's clear that PayPal does monitor its customers' accounts. And in this case, Mr G's pattern of gambling was, in my view, pretty extreme, particularly given that he was regularly sending multiple amounts in a day – with some individual payments totalling £1,000 – to gambling companies. It certainly doesn't strike me as activity that was being well-controlled or was used purely for entertainment. Given this, I think PayPal should have been (and arguably was) aware that, in all likelihood, Mr G was using his PayPal account to fund a gambling habit, and given the amounts and frequency of payments, that the manner he was using his account was potentially causing him harm.

PayPal says that it didn't receive any contact from Mr G to say that he was experiencing problems until around the time he raised his complaint. Although I'm pleased to hear that PayPal did then provide support to Mr G when he eventually did – for example it notified him that it was developing its own gambling block. But I think PayPal had enough information before October 2024, to identify that Mr G may have had a problem and should have done something (more) about this.

So, I'm satisfied that there was a failing on the part of PayPal here and that this warrants compensation for Mr G. I think it reasonable to say that PayPal's failure to identify what was happening on Mr G's account and to offer some sort of assistance or support led to him suffering additional distress by continuing to gamble using his PayPal account.

Mr G has explained that his gambling addiction has caused him to be in debt and has had an impact on his mental health. I can't reasonably say that PayPal is responsible for the impact that Mr G's gambling addiction has had on him. But, at the same time, I think PayPal's lack of action has contributed to it. And given how long matters went on for and the impact it had on Mr G, overall, I think £300 is a fair award in recognition of this.

Finally, I note that Mr G has asked that PayPal pay him all of the money he spent on gambling from his PayPal account. However, I don't think it's likely that Mr G would have stopped gambling, even if he had been prevented from doing so in some way from his PayPal account. For example, it's clear to me that Mr G used his PayPal account as a way to circumvent the gambling block that his bank had applied to his debit card. So his compulsion to gamble was clearly very strong. And so I can't rule out the possibility that he would've found an alternative way to continue gambling, even if PayPal had offered him some support.

Furthermore, the money Mr G sent to gambling companies wasn't money that PayPal had lent Mr G and PayPal can't be held responsible if other businesses decided to give Mr G credit. So, because PayPal didn't lend Mr G money, it was under no regulatory obligation to assess whether what was happening was 'affordable' for Mr G. So, with that in mind, I won't be awarding any refund of money used by Mr G to gamble through his PayPal accounts.

Putting matters right

To put matters right, I'm currently minded to say that PayPal should pay Mr G £300. This is to reflect the distress and inconvenience caused to Mr G by its failure to proactively offer support, when it had become obvious that the way in which Mr G was using his account was potentially causing him harm."

After I issued my provisional decision, PayPal responded and said it accepted my provisional decision. Mr G also responded. And in summary he said:

- PayPal were aware of his gambling problem.
- It doesn't feel right that PayPal were allowing him to deposit thousands of pounds to gambling companies when he may've only had £1 in his bank account.
- He had no other way to gamble other than via PayPal.
- He can't understand how a company the size of PayPal doesn't have checks in place to prevent problem gambling.

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 reconsidered everything, including Mr G's response to my provisional decision, I remain of the view that the complaint should be upheld in part and that PayPal should pay Mr G £300 compensation.

Firstly, I don't disagree with Mr G's first point in his response to my provisional decision. Indeed, in my provisional decision I acknowledged that Mr G was sending large amounts to gambling companies through his PayPal account. And PayPal says it monitored Mr G's account too. So I think, given the amounts and frequency of payments being made to gambling companies, PayPal was aware (or reasonably ought to have been), that Mr G was using his PayPal account in a way that was likely causing him harm.

Mr G said he didn't have any other way to gamble other than through PayPal. But I don't agree that is the case. There are a variety of ways that Mr G could've gambled, even with the gambling block on his debit card and even if PayPal had blocked his account – although I won't expand on what these ways are. But overall, given that Mr G clearly had a strong compulsion to gamble (even when he didn't have enough money to do so), I think it's likely that he would've found an alternative way to keep gambling and would've incurred similar losses, even if PayPal had blocked Mr G's account entirely. Indeed, it's clear he used his PayPal account to circumvent the blocks on his debit card. So I think it's likely he would've done the same through other means, had he not been able to gamble through his PayPal account. Therefore, I don't think it's fair or reasonable to say that PayPal is responsible for Mr G's gambling losses. So I can't say that it should reimburse him for his gambling transactions.

Finally, Mr G has asked how a company the size of PayPal didn't have gambling checks in place. However, PayPal has confirmed that it was developing a gambling block tool, and since Mr G complained, it has since made it available to consumers. So going forwards, should Mr G wish to apply such a block to a PayPal account (if he's not done so already),

this is an option that is now available to him. Should Mr G wish to do this then he will need to contact PayPal directly.

So in summary, I think that PayPal should've realised that Mr G was using his PayPal account in a way that was likely causing him harm and that it should've offered Mr G some support. Because of this, I think that it should've reached out to Mr G to offer support. And so, whilst I can't reasonably hold PayPal responsible for the distress and financial difficulties Mr G suffered as a result of his gambling problem, at the same time I do think that PayPal's failure to offer Mr G assistance, did contribute to the distress he was already suffering.

Putting things right

To put matters right, I require PayPal to pay Mr G £300 for the distress caused to Mr G by its failure to intervene, when it ought to have been apparent to PayPal for quite some time that he was using his account in a way that was likely causing him harm.

My final decision

Because of the reasons given above and in my provisional decision, I partly uphold this complaint and require PayPal UK Ltd to do what I have outlined above, to put matters right, in full and final settlement of this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr G to accept or reject my decision before 11 April 2025.

Thomas White
Ombudsman