

The complaint

Mr U complains PayPal UK Ltd charged him for a payment he received.

What happened

Mr U was paid £10,000 by another PayPal customer and was charged £600.05 for receiving the payment. Mr U felt this was unfair and complained to PayPal.

PayPal responded to say it applied fees of 6% and a one off fee of 5p. These fees were broken down as 5% and 5p for a commercial payment and a cross border fee of 1%.

PayPal said the 1% fee could be paid by the sender or the receiver, and the receiver was selected, so Mr U was charged it. PayPal said the 1% cross border fee was because of costs in sending money in different currencies.

Unhappy with this response, Mr U brought his complaint to this service. An investigator looked into things but didn't think Mr U's complaint should be upheld.

The investigator said the payment Mr U received was a commercial payment, for goods or services, and thought the fees were in line with PayPal's user agreement. PayPal had made an offer of £150 to settle things, and the investigator thought this was a fair offer.

Mr U didn't agree with this outcome and had previously said, when rejecting the offer, PayPal was exploiting customers and it had an unfair and unclear process. Mr U asked for an ombudsman to decide things.

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.

PayPal's said Mr U signed up for micropayments in August 2013, it said Mr U was selling low value items on an online marketplace at the time and this was a preferential rate for accepting low value commercial payments.

This was some time ago, so I don't necessarily expect Mr U to remember this, and PayPal's said Mr U appears to have stopped receiving low value payments some time ago too. But this doesn't change the fact Mr U appears to have agreed to micropayments and the rate.

Micropayments are charged at 5% and 5p, I'm satisfied PayPal could apply these fees to any commercial payments Mr U receives.

And I think this is the key to Mr U's complaint. I'm satisfied the £10,000 was sent to Mr U as a commercial payment, the type of payment where goods or services are being provided for the inbound payment, and not friends and family, which would have been free.

This is something the sender would have selected when making the payment.

Mr U wouldn't have had an option of changing how the sender made the payment to him, so I can understand Mr U's frustration, but this doesn't change the fact the sender sent the payment as a commercial one.

And it's fair for PayPal to apply a charge for a commercial payment. PayPal offers buyer and seller protection for certain commercial payments, and the fees it charges helps it offer this protection.

Mr U says the payment was from a friend, and a loan repayment, so it shouldn't have been a commercial payment. But PayPal doesn't know this, it can only act on what the sender says, and they said the payment should be a commercial one.

It would be unfair for the receiver of a payment to determine whether the payment should be commercial or not, as the sender might be paying for goods, and changing the payment from commercial to friends and family would remove any protection the sender has.

If Mr U still feels this payment shouldn't have been a commercial one, I'd suggest he speak to the sender. The sender might be able to complain to PayPal about the payment being sent as a commercial payment.

I think the sender would need to confirm to PayPal they're happy to change the payment type and lose any protection they might have. I can't say whether a complaint from the sender would be successful, but I certainly don't think Mr U can change the type of payment.

I think PayPal was allowed to charge the 5% and 5p fee and hasn't done anything wrong in applying these fees to the payment.

The 1% cross border fee also appears to be in line with PayPal's user agreement. I'm satisfied the £10,000 was sent from a non-UK PayPal account.

It's unclear if the payment was sent in another currency or not, so I'm not overly persuaded there was an associated additional cost for PayPal to administer this payment.

But, if I was to find PayPal incurred a smaller cost, or no cost, in administering this payment I'd likely only ask it to refund the 1% fee, £100. PayPal's already offered Mr U £150 to resolve his complaint, more than I might ask it to refund.

PayPal completed this payment in line with how the sender asked it to make the payment. Whilst I agree Mr U hasn't done anything wrong, and still been charged £600.05, I don't think PayPal's done anything wrong either.

This is an unfortunate set of events, but the reason for the fees being applied is because the sender asked PayPal to send a commercial payment and I can't hold PayPal responsible for this. I don't think PayPal's exploited Mr U.

Having been asked by the sender to make a commercial payment of £10,000 PayPal applied the applicable 5% and 5p fees to Mr U's account, in line with the payment options and fees Mr U had previously agreed to.

Because of this, I don't think PayPal's done anything wrong in applying the micropayment fees. It's less clear whether the additional 1% fee was fair in the circumstances, but I think

PayPal's offer of £150 is fair in the specific circumstances of Mr U's complaint.

My final decision

My final decision is I uphold this complaint, and PayPal UK Ltd should pay Mr U £150.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr U to accept or reject my decision before 19 March 2025.

Chris Russ
Ombudsman