

The complaint

Mr G complains about the balance of a credit account with PayPal UK Ltd.

Throughout his complaint, Mr G has been represented by a family member. But, for ease, I'll just refer to "Mr G" in my decision.

What happened

In early 2020, Mr G opened an account with PayPal, which meant he could use the service they offered to purchase items and receive payments. Mr G says he accessed his account with PayPal through an application on his mobile telephone device.

Around four years later, Mr G booked a holiday to Spain with friends. He says that a few days before he was due to return home, he realised he had lost his mobile telephone. Mr G says he had difficulty reporting his device as lost while on holiday. So, once he had returned to the United Kingdom, Mr G set about contacting his mobile services provider.

However, Mr G says that shortly after losing his handset, an unknown third party had used his device to successfully apply for two lines of credit in his name. One was a loan, and the other was a credit account with PayPal. He also says his bank account was used to make unauthorised transactions. Subsequently, Mr G contacted each lender and his bankers to raise his concerns.

After an investigation, one of the lenders and Mr G's bankers agreed that he hadn't authorised the loan and the debit card transactions. They refunded all the necessary payments and removed Mr G's responsibility towards any debt. But, PayPal told Mr G they couldn't see any indications of fraud and asked him to pay for the items purchased using the credit account.

Mr G didn't accept the outcome of PayPal's review and made a complaint. PayPal didn't respond with any further review, so Mr G brought his complaint to us.

One of our investigators looked into Mr G's complaint and found that PayPal hadn't treated Mr G fairly. He was persuaded the credit account was opened after Mr G says he lost his mobile device and that the steps Mr G had taken were credible and consistent. So, the investigator asked PayPal to remove Mr G from the credit account, refund any repayments with interest added and to correct Mr G's credit file. The investigator also asked PayPal to pay Mr G £150 for the distress and inconvenience they had caused.

Mr G acknowledged the investigator's findings, but PayPal didn't accept them. They said Mr G had applied for the credit account himself and had accessed his handset using fingerprint and face identification.

The investigator didn't change his conclusions and Mr G's complaint has now been passed to me to make 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.

The application in Mr G's name was for a regulated agreement for a credit account with PayPal. Our service is able to deal with complaints relating to these sorts of agreements.

When the evidence is incomplete, inconclusive, or contradictory, as it is in this case, I make my decision on the balance of probabilities. That is, what I think is most likely to have happened given the available evidence and the wider circumstances.

There are a few possibilities that might have given PayPal a proper basis for pursuing Mr G for the debt owed under the agreement: Namely:

- Mr G applied for the credit account himself; or
- A third party applied for the account on Mr G's behalf, with his actual or apparent authority.

To help me consider both possibilities, I've looked at the lead up to the application for the credit account and what happened afterwards.

The application and purchases

Mr G has sent us copies of his bank account statements to show which transactions he carried out, and those where he says an unknown third party fraudulently used his debit card and handset. He's also shown where he was in Spain, with reference to his booking confirmation with a travel agent. Having looked at that information, I'm persuaded Mr G and his device were in Spain at the time the credit account with PayPal was opened.

To support their side of the dispute, PayPal have told us that the application for the credit account in Mr G's name used very specific details about Mr G's personal circumstances.

PayPal say that their records show where fingerprint and facial recognition was used to start the application. They also say Mr G's correct postal and email address were given over, along with details about a mortgage and his status as a homeowner. To check on affordability, PayPal have explained that they performed a credit check with a credit reference agency.

Having looked at PayPal's records of the application, I can see where some of the details used are correct to those of Mr G. I also need to keep in mind though, that Mr G was on holiday when the transactions happened and he says he was without his device. So, it follows that he was unable to receive any postal items or perhaps any emails.

Furthermore, I agree it was likely some level of security was needed to access PayPal's application on Mr G's handset. But, PayPal haven't shown us if the details needed to access their application had changed in the lead up to when Mr G says a third party applied for the credit account. So, I don't think what PayPal have said about the details needed to access their application is conclusive to Mr G's case.

PayPal have also explained where the credit account was opened the day before Mr G said his handset was lost. Additionally, they say the account was opened and used to make purchases in the United Kingdom.

After carefully considering Mr G's timeline of events and PayPal's own records, I don't agree with PayPal's findings. I say this because PayPal's records are set to Pacific Daylight Time, rather than the time zone where Mr G was holidaying. Taking the difference in the time zones into consideration, I think the account with PayPal was opened after Mr G says he lost his handset.

Turning now to the purchases, I can see where the credit account was used to buy goods from an online marketplace, based in Spain. PayPal's records show where four different items were bought in a short space of time, as soon as the credit account was opened. These steps were carried out after Mr G says he lost his handset.

Mr G has provided us with the emails sent to him by the online marketplace, which he says he discovered after he had returned home. These emails show where the online marketplace then sent the items to a branch of the Spanish postal service, rather than Mr G's postal address. With this in mind, I'm persuaded the credit account was opened and the transactions were carried out in Spain.

Overall, I think this shows where PayPal's investigation wasn't accurate. I think the evidence demonstrates where some of Mr G's correct personal details were used by PayPal in the application. But, I also think that what unfolded is consistent with Mr G's version of events, rather than what PayPal have concluded.

However, while useful, I don't think the information about the application and the purchases alone, enable me to decide Mr G's complaint. So, I've also thought about the steps taken by Mr G and what he has explained to all parties involved.

Mr G's actions to report his loss

Mr G has shown us where he returned from Spain a few days after he says he lost his handset. He says his bank card was within the handset's case when he lost it, so he had to borrow money from the friends he was on holiday with. He also says he tried to contact his bank and mobile services provider while still in Spain, but was unsuccessful.

I can see from Mr G's bank statement where he says his legitimate transactions stopped and the unauthorised activity started. There is a similar pattern of use with reference to the information we've been given about Mr G's mobile telephone usage.

During our investigation, Mr G has also provided proof his mobile services provider blocked his handset and he bought a replacement on the day he returned to the United Kingdom from Spain. Mr G has also sent us details of a crime reference number he obtained from the police and the national fraud reporting database.

Additionally, I've seen the records and outcome from when Mr G raised his concerns with his bankers and the other lender.

Taking all of Mr G's actions into consideration, I think he has been credible and consistent throughout his dealings with all parties involved. I cannot see any examples where Mr G may have changed his version of events when presented with further information, and I think the timescale of each of step is reasonable.

I'm also aware that the other lenders involved have found in Mr G's favour. That is not to say PayPal should automatically take the same approach. But, I find the evidence presented in those instances persuasive. In all the circumstances, I think Mr G's actions support his view that a third party sort to use his personal details without his authority.

Summary

Overall, I've found what Mr G has explained very credible. I also think Mr G has been consistent with his reasoning for why he took particular steps at a particular time. Furthermore, I think PayPal's investigation into the opening of the account and the transactions wasn't thorough. I think this adds weight to Mr G's side of the dispute.

On balance, I don't think Mr G gave his authority, or apparent authority for the application of the credit account. So, I don't think it's fair for PayPal to hold Mr G responsible for the balance accrued. In all the circumstances, I think PayPal should allow Mr G to exit the credit account in his name, at no additional cost. This means making sure any interest accrued on the debt is removed, or that PayPal removes Mr G's responsibility to pay it.

In light of my conclusions about the ending of the credit account, I think PayPal should refund any repayments Mr G has made towards it. Mr G hasn't had the use of the funds he has paid to PayPal since the start of the credit account. So, I think it's fair for PayPal to also add interest at 8% a year simple, to each repayment, from the date each payment was made, to the date of settlement of this complaint.

I also don't think it would be fair for Mr G to suffer from any adverse information PayPal may have recorded with credit reference agencies. And because I don't think Mr G applied for the credit facility, I think PayPal should remove any information they may have passed on to those agencies, about the credit account in Mr G's name.

Finally, I'm aware of the worry Mr G has experienced, since he says he discovered the application in his name. From what Mr G says, it seems the majority of this worry was caused by the unknown third party. I acknowledge where Mr G disagreed with PayPal's review of his complaint, but don't think their actions were the catalyst of the distress he has experienced.

However, I can see where PayPal didn't give Mr G thorough reasoning of why they continued to hold him responsible for the debt. I think this has caused Mr G additional distress and inconvenience.

So, I think it's fair for PayPal to make a payment to Mr G to reflect the trouble and upset Mr G has experienced. Having thought carefully about the level of that payment, I think it's fair for PayPal to pay Mr G £150 for the distress and inconvenience caused.

Putting things right

For these reasons, I require PayPal UK Ltd to:

1. Allow Mr G to exit the credit account, at no additional cost to him;
2. Refund all the repayments Mr G has made to the credit account;
3. Add interest at a rate of 8% a year simple to part two of this settlement, from the dates the repayments were paid, to the date of settlement of this complaint;
4. Remove any information related to the credit account, from the details held with credit reference agencies about Mr G; and
5. Pay Mr G £150 for the distress and inconvenience caused.

PayPal must pay these amounts within 28 days of the date on which we tell them Mr G

accepts my final decision. If they pay later than this, they must also pay interest on the settlement amount from the date of final decision to the date of payment at 8% a year simple.

If PayPal deducts tax from any interest they pay to Mr G, they should provide Mr G with a tax deduction certificate if he asks for one, so he can reclaim the tax from the tax authorities if appropriate.

My final decision

My final decision is that I uphold this complaint and require PayPal UK Ltd to put things right as set out above.

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

Sam Wedderburn
Ombudsman