

The complaint

Mr B complains about how PayPal UK Ltd dealt with a payment he received.

What happened

In June 2024, Mr B received a payment through PayPal and was charged a seller's fee because of the details the payment was sent with. As it looked like the payment had been received in relation to Mr B selling something, PayPal treated him as a new or 'inactive' seller under its terms. This involved placing a hold on the payment.

Mr B contacted PayPal about this and explained the payment had been sent with the wrong details and should have been a personal payment. PayPal advised Mr B that it could reverse the payment, which would refund the fee and then the sender could make the payment again with the correct details. PayPal sent the sender an email asking them to resend the payment and credited Mr B with £30 for the difficulties he faced because of the issue.

Mr B wasn't happy with how PayPal dealt with this and referred his complaint to this service. One of our investigators looked into it and felt that PayPal had acted fairly. Mr B disagreed, mentioning his own circumstances and wider issues with PayPal that had been reported on a television programme. He felt that the £30 remained unacceptable 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.

It's important to note that the issue that led to the payment being placed on hold wasn't because of anything PayPal did. Instead, it was because of the information the sender provided when making the payment. So when PayPal processed this payment, it did so based on the information it was given, which stated that it was a payment for goods and services. PayPal then acted on that information in line with how its terms say it can – which was to place a hold on the funds in circumstances like these.

It's clear that Mr B is unhappy with this. I realise that it meant that he couldn't access the money for around four days. He's told us about the impact this had and has raised wider concerns about this too, including the issue being mentioned on television. But I think PayPal was entitled to take this action based on the information it was given about the payment when it was first sent.

PayPal wasn't to know that this payment wasn't for the sale of goods and services, or that any mistakes had been made in the sending of the payment until Mr B notified it of these issues. At that point, I'd expect PayPal to have done what it could to have helped Mr B with the situation. From all I've seen – it did that. PayPal explained what the situation was to Mr B so he could understand the nature of the problem and outlined the steps that he and the sender could take to resolve this. It reversed the payment, which cancelled the seller's fee that had been applied and also sent an email to the sender, along with crediting Mr B £30 for the impact this had on him.

I think all the steps PayPal took here were helpful in the circumstances. Mr B then received the payment as originally intended the day after he told PayPal about the problem, which I think supports that the steps it outlined and the actions it took were proportionate and effective.

In these circumstances, I can't see that I can fairly expect PayPal to do any more than it already has. It dealt with the situation fairly and I can't see it made any mistakes in the actions it took. So while I've considered all that Mr B has said about his circumstances and why he doesn't think that PayPal's compensation of £30 is enough – I think that it's fair and reasonable in the circumstances.

My final decision

My final decision is that I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr B to accept or reject my decision before 13 September 2024.

James Staples
Ombudsman