

The complaint

Mr R complains that PayPal (Europe) Sarl et Cie SCA allowed for recurring payments to be set up using his details, without his consent.

What happened

Mr R complained to Paypal because recurring payments were set up using his details, which at the time he said he didn't authorise. Mr R thinks Paypal aided the disputed payments by storing and sharing his details with a third party. He says he doesn't have a Paypal account, and that the payments were initiated via a guest account, so recurring payments should never have been set up.

A few days after Mr R flagged the payments, Paypal refunded him £138.12 – which I understand was the most recent payment made via the recurring payment agreement. Paypal also offered Mr R £20 compensation for the inconvenience caused.

Remaining unhappy, Mr R asked this service to consider his complaint. He says he was left without funds in his account, so he was unable to make essential payments, causing him embarrassment. Mr R added that he wants Paypal to be punished by paying him £500 compensation.

After one of our investigators got in touch with Mr R, he clarified that he did in fact authorise the initial payment that was set up. Mr R says he signed up for a service at the time which directed him to make payment via a guest account on Paypal. But he says that he never agreed for this to be a recurring payment. Mr R says he'd be happy to accept £100 compensation.

Our investigator concluded that Paypal had acted fairly. The investigator decided that Mr R had set up the recurring payment and only received a refund from Paypal because, at first, Mr R said all the payments were unauthorised. So Paypal was fair to issue a refund even though it had recently transpired that Mr R initiated the payments. The investigator also felt that Paypal's compensation offer was reasonable.

Mr R doesn't agree, 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.

I share the investigator's conclusions on this complaint – I'll explain why.

It's no longer a concern that the set-up of the payments was unauthorised or were carried out as part of fraudulent activity. Mr R recently told us that it was him that set up the payment. Although Mr R disputes setting it up as a recurring payment, he confirmed that he was directed to Paypal via the merchant to make payment and he did so via a guest account, rather than as a Paypal account holder.

Paypal's records show that the recurring payments were set up in January – the initial payment in January seems to have processed successfully, with the two payments that followed failing to go through. The final payment in April appears to have debited successfully. After Mr R raised a dispute, Paypal says it refunded this payment and cancelled the recurring payment arrangement. I can see from Paypal's records that the refund was issued within a few days of Mr R raising the dispute.

Mr R denies setting up the recurring payment. But Paypal's records show otherwise – that this was arranged alongside the initial payment in January. It's possible that Mr R's recollection of what happened at the time may have been diluted, given his version of what happened has changed since he asked this service to get involved. Mr R confirmed he authorised the first payment and there's nothing I've seen to suggest his details were compromised in any way – so it's unlikely that a third party arranged the recurring payment without his consent. I'm persuaded by the records Paypal sent us, so I think it's more likely than not that Mr R set up the recurring payment – even though he doesn't recall doing so.

Mr R thinks Paypal doesn't allow for recurring payments to be set-up via a guest account, so Paypal shouldn't have allowed for it to be set up in the first place. However, I haven't seen anything to confirm this. Nevertheless, based on Paypal's records, it seems that he set up the initial payment as a recurring payment. Paypal says this would've been apparent at the checkout stage of the payment. This seems plausible to me, so I don't think that Paypal did anything wrong by allowing the set-up of a recurring payment.

Mr R says Paypal didn't act quickly enough and made things difficult for him when he raised the dispute. However, Paypal's information suggests otherwise. I can see a recurring payment was processed on 30 April and, following Mr R raising a dispute, a refund was issued on 2 May. Given this, I'm satisfied that Paypal acted within a reasonable period.

Mr R wants Paypal to pay him more compensation because he wants Paypal to be punished for what happened. It's not this service's role to deliver punitive measures as part of resolving complaints. Our role is to provide fair and reasonable outcomes and, if the business has done something wrong, I have the power to give it direction on what it needs to do to put things right.

But I don't agree that it would be fair for Paypal to pay more compensation. Paypal has already offered Mr R compensation, even though it, in my view, has done nothing wrong. Moreover, Mr R confirmed he authorised the original payment and, in turn, the recurring payments. Paypal says it only issued Mr R a refund because he initially said the whole transaction was carried out fraudulently, without his consent. So it seems to me that Paypal has done more than it needed to in these circumstances.

In summary, I'm satisfied that, based on the information I've seen, Mr R most likely authorised the recurring payments when he went on to Paypal's platform to pay for the service he'd acquired. Paypal hasn't done anything wrong in my opinion, so it doesn't need to take any further action regarding this complaint. If Mr R wishes to accept Paypal's offer, I'd suggest he contacts Paypal directly to discuss arrangements.

My final decision

I'm not upholding this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 7 November 2023.

Abdul Ali
Ombudsman