

The complaint

Miss B complains about the service provided by PayPal (Europe) Sarl et Cie SCA in verifying her, culminating in it restricting her account.

What happened

In late 2022, Miss B received a request from PayPal to confirm her identity. I understand it needed proof of Miss B's address. She submitted a council tax bill. She says her app made it appear that her account was not restricted following this. But she found out it was when she tried to send a payment in early 2023 and it wouldn't go through.

When Miss B called PayPal, she says it told her the council tax bill didn't qualify as proof of address. But it did ultimately agree to remove the restriction during the call.

Miss B complained to PayPal about what had happened. She said it wasn't clear that her account was restricted, and she had incurred fees and interest through sending her funds via another payment channel. She also complained about a separate issue involving an email address she holds (which is different to the one she uses on her own PayPal account) being attached to someone else's account.

PayPal said her email address had been removed from the other account. It also said there had been miscommunication around the verification documents and offered Miss B a £50 voucher as compensation.

Unhappy with PayPal's response, Miss B referred the matter to our service. Our investigator thought any additional costs incurred in sending the payment could have been avoided if Miss B had called PayPal first. Overall, they thought £50 was adequate compensation for the impact of what had happened.

Miss B appealed. She said she wanted an ombudsman to confirm the decision. She also said the investigator had misunderstood the situation as they said the account restriction was linked to the email issue – whereas the two events were separate. As such, the case was passed to me.

I've since explained to Miss B (and PayPal) that the email issue doesn't fall within our powers to consider. Miss B has accepted this. So, as agreed, I'm now proceeding to issue my final decision addressing the merits of Miss B's complaint about the account restriction issue.

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 done so, I've decided that PayPal's compensation offer is a fair way to resolve this complaint; I don't think it needs to do more to put things right. I'll explain why.

Looking at the evidence provided by both parties, I do think PayPal likely made mistakes in terms of how it handled the verification issue. I accept it was within its rights to verify Miss B, and to ask her to provide proof of address, to meet its obligations. But, as it has admitted, I think its communication about the process could have been better.

For example: Miss B says it wasn't clear on the app that her account was (still) restricted. While I wouldn't expect PayPal to chase customers up, what it has provided doesn't explain why it didn't accept the council tax bill Miss B provided – or whether she ought to have known it wouldn't be accepted.

That said, our service doesn't make punitive awards. Where a business makes a mistake, what we're considering is the impact this had on the consumer, bearing in mind what is reasonably foreseeable.

I'm conscious Miss B says she was making a payment to a friend, and had to send it another way, incurring charges. When our investigator asked Miss B about this, she wasn't sure which card she had used instead. She also mentioned she had a current account – but prefers not to use it for larger transactions.

Overall, I'm not persuaded PayPal can fairly be held liable for any further costs incurred sending the payment. We haven't seen evidence to substantiate any costs incurred. Regardless, it appears there were other options available. PayPal has also shown it removed the restriction during the call. So, I think any additional costs were avoidable if Miss B had called PayPal prior to sending the funds – which I think would have been reasonable for her to do in order to mitigate any losses.

However, I do think it was frustrating for Miss B to find out her account was restricted. Based on the information provided, I'm not persuaded she ought to have been aware of this before trying to send the funds. And it did take some time and effort to call up to resolve the issue.

When thinking about the scale of the impact, I'm conscious PayPal was able to resolve the matter promptly once Miss B got in touch. And while her account was restricted for a few months I don't think she was impacted until she tried to make the payment. Overall, I think the £50 voucher PayPal offered is a fair reflection of the unnecessary distress and inconvenience caused to Miss B by its failings in how it handled this matter. So, I'm not directing it to do more to put things right.

My final decision

PayPal (Europe) Sarl et Cie SCA has already made an offer to pay Miss B a £50 voucher to settle the complaint and I think this offer is fair in all the circumstances.

So, my final decision is that PayPal (Europe) Sarl et Cie SCA should pay Miss B the £50 voucher, if it hasn't already done so.

PayPal (Europe) Sarl et Cie SCA must pay the compensation within 28 days of the date on which we tell it Miss B accepts my final decision. If it pays later than this, it must also pay interest on the compensation from the deadline date for settlement to the date of payment at 8% a year simple.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss B to accept or reject my decision before 24 April 2024.

Rachel Loughlin

Ombudsman