

The complaint

Mr I complains that PayPal (Europe) Sarl et Cie SCA ('PayPal') wrongly set up a direct debit instruction in relation to his account, without his authorisation.

What happened

Mr I set up an account with PayPal in December 2019. PayPal says that, as part of this process, he completed a direct debit instruction. It says that as a part of its process, the direct debit guarantee would have been put on screen for Mr I to consider before the continuing to set up the account including this instruction. It says that this instruction permitted transfers from his bank account to his PayPal account, which is a service he has used.

Mr I says that he does not recall setting up a direct debit mandate, or having the direct debit guarantee provided as part of the process. He says that he is particularly careful about direct debits, and that all transactions in relation to his PayPal account have been done through his debit card. He says that the operation of the direct debit has been without his instructions, and that this has unfairly cost him money.

Our investigator thought that the direct debit had been set up at the same time as the account. They thought that the process was fair and that PayPal did not have to put anything right.

Mr I did not agree and so this has come to me for a 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'd like to reassure Mr I that in reaching my decision here, I've carefully considered everything she's said and sent us, alongside what PayPal has provided too. If I haven't referred to anything in particular, that's not because I haven't considered it – it just means that I haven't needed to refer to it in reaching a fair and reasonable decision. That's in line with our quick and informal role as a service.

Ultimately, the issue I need to decide here is whether PayPal acted fairly in using a direct debit to facilitate payments on Mr I's account. PayPal has said that it's a standard and automatic part of an account application to give details of and provide a message about the direct debit that it will set up on an account.

The records I've seen all suggest that Mr I's application was subject to all the standard stages of PayPal's process here. Its records show a direct debit instruction being set up at the same time as the account, which is what I'd expect. Without that instruction, it doesn't seem likely that payments of the sort that were made to and from Mr I's account would have been made.

Mr I says that he didn't consent to this, or authorise it though. If there was clear evidence that he hadn't consented to this, or hadn't been made aware that the direct debit had been set up, then it might be unfair that PayPal has used the direct debit for payments here. But neither party can show me exactly what Mr I saw at the time he applied for the account. So, where this evidence is unavailable, I have to make my decision on the basis of what is more likely than not to have happened, on balance of the evidence that I do have.

I haven't seen any evidence here to support that PayPal's usual account opening wasn't followed. Nor have I seen anything to suggest that there were any technical issues with the process that mean that the automated message about the direct debit wouldn't have been shown.

Mr I has said that PayPal has taken payments in other ways to the direct debit too. I've checked the statements he's provided and it shows that PayPal has also facilitated payments using a card too. But in any event, I haven't seen anything to show me that PayPal shouldn't have allowed any payments here to go through. It seems like Mr I wanted these payments to be made and used PayPal to make them. In these circumstances, it's difficult for me to say that PayPal has done anything wrong.

Then in considering what Mr I has said about this situation – I realise how certain he is that he didn't see any message about a direct debit, but the application was several years ago. So I have to consider that he may simply have forgotten the specifics of a process like this that involves a number of stages and took place so long ago. Even if I were to accept what he says, Mr I first disputed the direct debit and payments in April 2020 - several months after the account was opened.

I've also considered Mr I's point around his need and expectation to have any messages around his direct debit read out to him because of his specific circumstances and needs. I realise that he wanted and perhaps expected this – but I haven't seen that Mr I let PayPal know about this before opening his account, or during the opening process. With that in mind, I don't think it would have been fair to expect PayPal to have departed from its normal process, where it wasn't on notice of any reason it had to do so.

So, on balance of the evidence I do have here, I'm satisfied that PayPal's normal process was followed. That would have involved a message about the direct debit which I think it's more likely than not that Mr I would have seen. It follows that I can't conclude that PayPal has acted unfairly or unreasonably by making payments in line with this. That means that I won't be telling PayPal to pay anything back to the bank he's mentioned, or to remove anything that's been reported on his credit file.

Mr I has also raised a number of points about enquiries and complaints he's made to PayPal about this matter. It does look like there was some confusion around whether Mr I had complained and then about PayPal's ability to locate him once he complained to this service. That looks to be based around confusion around the correct contact details for PayPal and then around the details we received from Mr I. I don't doubt that this would have been concerning for Mr I who was eagerly waiting for a response to his complaint – but I don't think I've seen anything in how PayPal dealt with this that means I could fairly ask it to pay compensation.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr I to accept or reject my decision before 25 August 2023.

James Staples
Ombudsman