

## **The complaint**

Mr F has complained that PayPal (Europe) Sarl et Cie SCA placed restrictions on his PayPal account; didn't cancel a continuous payment to a retailer; and set up a new payment account without his consent.

## **What happened**

Mr F added new account details to his PayPal account on 25 April 2023 and on the 26 April 2023 Mr F transferred money into his PayPal account with the intention to transfer the money out again. But when he went to transfer the money out of his PayPal account, it was blocked. Mr F says he called PayPal to find out what had happened, and he was told a freeze had been applied to his account due to irregular activity being detected on his account. Mr F was eventually able to get the block lifted, but was told that it could take up to a day for the block to be removed. Mr F was then able to transfer the money out of his PayPal account on the 27 April 2023.

During this time, a retailer that he'd previously had a continuous payment set up for debited money from his PayPal account. Mr F says that he'd cancelled the continuous payment authority and says that the payment should not have been taken from his account.

During this time, also Mr F received an email saying that he'd applied for a PayPal Xoom account – Mr F says he hadn't applied for such an account.

Mr F raised his concerns with PayPal. In its final response letter PayPal explained that its fraud detection systems identified the request to withdraw money to a newly added account, and as Mr F had accessed the account via a Virtual Private Network (VPN), it placed a freeze on the account to ensure that the transfer was being made by Mr F and to ensure that his account had not been compromised. It also explained that when the freeze was lifted, some of the same indicators were present and so PayPal's fraud detection system reinstated the block as a precaution, until it was satisfied that it was Mr F making the transfer.

In terms of the retailer withdrawing the money from Mr F's PayPal account, PayPal said that the retailer had been attempting to take the money from Mr F's account since November 2022 under a continuous payment that'd been set up, but until that point, it had been unsuccessful in doing so as there was insufficient balance in Mr F's account. PayPal explained the process for Mr F to dispute the transaction on his account. PayPal confirmed that it'd look further into Mr F's concerns about the Xoom account, and to apologise for the inconvenience that Mr F experienced, PayPal paid Mr F £100.

After referring his complaint to our service, one of our investigators assessed the complaint and they didn't uphold the complaint.

Mr F disagreed with the investigator's assessment, so the matter was referred for an ombudsman's 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.

Having reviewed everything, I agree with the outcome reached by the investigator, for broadly the same reasons. I will explain why.

#### *Blocks on account*

Looking through the evidence surrounding the block that was applied to Mr F's account, it's clear that this occurred due to PayPal's automated fraud detection system. PayPal has not given the exact reasons as to why the block was applied to Mr F's account. But I wouldn't necessarily expect it to disclose such detailed information, as such information could potentially allow fraudsters to circumvent its fraud detection systems. Nevertheless, PayPal has explained in its final response letter that a number of factors were involved in the block being applied. This included the addition of a new account to the PayPal account; a transfer out to the newly added account; and also Mr F accessing the account via a VPN.

In the circumstances, I can see why Mr F was frustrated that he was unable to transfer the money that he had put into his PayPal account. I appreciate that Mr F questions why the block was put in place, as he says the amount was not unusual and that he had used a VPN to access his account many times before without issue.

However, PayPal only placed the block on Mr F's account so as to protect him from potentially being a victim of fraud. Indeed, due to the ever-increasing levels of fraud and scams, this is unfortunately becoming an increasingly necessary action for financial business to take to protect their customers. As such, I can't reasonably say that PayPal was being unreasonable in placing a block in the circumstances.

Nevertheless, I can see that when Mr F called PayPal about the blocked transfer, once PayPal was assured that it was a genuine transaction, PayPal arranged for the block to be removed. And although there was an initial delay in it being lifted, PayPal did warn Mr F that it could take up until the next day for the block to be removed. I can see that Mr F was able to make the transfer on the afternoon of the following day i.e. 27 April 2023. As such, although I recognise that implementing such protections has caused Mr F some inconvenience on this occasion, I think that PayPal dealt with the matter in a fair and reasonable way.

#### *Disputed transaction*

During the period that Mr F was blocked from his account, a retailer debited a payment from his PayPal account. I understand that this related to a previous disputed transaction and PayPal explained that the retailer had in fact been attempting to take the payment for some time, but until then, it was unsuccessful as there were never enough funds in the account.

Mr F says that he had previously cancelled the payment authority to this retailer and so says the payment should never have been made. In response to this, I can see that PayPal explained how Mr F could raise a dispute about this payment with PayPal. And I'm glad to hear that the matter was subsequently resolved.

#### *Xoom account*

Finally, Mr F says that he never set up or agreed to the Xoom branded money transfer account. Whereas PayPal has provided evidence to show that Mr F had logged on to his PayPal account and whilst he was logged in, applied for the Xoom account.

On balance, the evidence does indicate that Mr F did apply for the Xoom money transfer account. I note that the process to set one up is fairly straightforward. So I think it's possible that Mr F may've applied for a Xoom account without realising he'd done so. For example, under the 'send' option, PayPal provide the following options to send money:

- To a bank account
- Cash for pick-up
- Reload phones
- Mobile wallet transfers

By clicking on *any one* of these options, the account holder is presented with a pop-up which says:

*"By continuing, you confirm you are at least 18 years old and agree to the Xoom User Agreement. We'll use your PayPal details to create a Xoom account."*

This is followed by a button saying: "Agree and Continue".

As such, in the circumstances, I think it's possible that Mr F had clicked on the wrong buttons, or perhaps clicked the 'Agree and Continue' button without reading the pop-up in an attempt to get rid of the pop-up and inadvertently agreed to open a Xoom account without realising what he'd done.

Nevertheless, if it is the case that Mr F didn't agree to it and PayPal had set up the Xoom account in error (although I don't think it did), I can't see that Mr F has lost out by this. PayPal has confirmed that Mr F's Xoom account has since been deleted.

So taking everything into account, whilst I recognise that Mr F experienced some inconvenience because his attempt to make a transfer was temporarily blocked, pending verification from PayPal that it was a genuine transfer, I don't think that PayPal has acted unfairly or unreasonably. I also think that the steps it took to resolve the other two issues i.e. directing Mr F to raise a claim about the disputed transaction and to close his Xoom account, were fair.

Overall, I think that the £100 that PayPal paid to Mr F was reasonable and I don't think any further payments of compensation are warranted in this case.

### **My final decision**

Because of the reasons given above, I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr F to accept or reject my decision before 29 December 2023.

Thomas White  
**Ombudsman**