

PayPal to pay \$25 mn for illegally enrolling users in credit program

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The US Consumer Financial Protection Bureau on Tuesday said PayPal will pay \$25 million in refunds and penalties for illegally signing people up for its online credit product and mishandling complaints.

"PayPal lured in consumers to this product with deceptive advertising, signed up people without them knowing it and then mishandled billing disputes when they arose," bureau director Richard Cordray said during a telephone briefing with the press.

"This kind of conduct has no place in the consumer financial marketplace."

The bureau simultaneously filed a complaint and a proposed settlement deal with a federal court in Maryland.

The complain accuses the eBay-owned online financial transactions service with illegally signing up and billing tens of thousands of people for PayPal Credit, formerly known as Bill Me Later.

PayPal Credit operates along the lines of a credit card, with payments spread out over time and balances triggering interest and late fees.

"From the first encounter a consumer may have had with PayPal Credit, there were problems," Cordray said.

"Tens of thousands of consumers who were attempting to enroll in a

regular PayPal account, or make an online purchase, were signed up for the credit product without realizing it."

Many people wound up with credit accounts because PayPal set the option as the default method of payment, according to the bureau.

PayPal also failed to deliver on promises of \$5 or \$10 credit towards purchases that had been advertised in promotions, the complaint charged.

"Finally, once enrolled, consumers encountered headache after headache," Cordray said.

"PayPal failed to post payments properly, lost payment checks and mishandled billing disputes that consumers had with merchants or the company itself."

Even when PayPal website problems thwarted efforts by people to pay, they were still charged late fees, according to Cordray.

PayPal did not admit any wrongdoing in the proposed settlement, but did agree to put \$15 million into a pool of refund money for affected customers and to pay a \$10 million civil penalty to the bureau, the court filing showed.

The settlement also requires PayPal to make it clear during enrollments and purchases when people are opting for the company's [credit](#) feature, and to better handle complaints.

PayPal released a statement to the media saying that it continually works to improve its products and its communications with customers.

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