

Enterprise

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PayPal suspensions anger merchants

Samantha Hutchinson

Small businesses using PayPal to trade online have said they are being hurt by arbitrary suspension of their accounts by the payments provider's automatic systems.

Queensland-based Marc Pafumi sells his Ezy-Lifter decking tools via his own website. He had been using PayPal to facilitate online sales for 18 months when his account was suspended in May.

"PayPal told me that I had multiple PayPal accounts, which I don't," he said. Mr Pafumi became frustrated when the company tried to justify the suspension using reasons that he was able to categorically deny.

The suspension cost the business more than \$3000. Mr Pafumi had to make changes to his website to support a new payment system, Paymate. He also lost sales in the month that it took to get Paymate running.

But Mr Pafumi said PayPal is widely considered as the industry standard for online payment and he is concerned customers might think that vendors who don't offer the service lack credibility. His fears could be justified. PayPal has 4.5 million users in Australian and counting.

Small business owner Philippa

Hansen was left in the lurch in April this year when PayPal suspended her account for six months.

"For some reason my account was identified as suspicious," she said.

Ms Hansen said that she was compliant with PayPal's requests for documentation that verified her identity and was assured by call-centre workers that the case would be resolved.

The suspension left her with no means to trade existing stock. It also froze access to the remaining \$2000 in her PayPal account for six months.

Complaints made to the Financial Ombudsman Service regarding cashless payment systems are on the rise. The agency's annual report recorded 499 disputes involving cashless payment systems in 2010-11, up from 248 the year before.

"We're not as good at addressing things as quickly as possible," PayPal Australian spokesperson Adrian Christie said. "There are risk triggers which we need to lift as quickly as possible and we know we need to improve the process."

Often a merchant's account can be suspended by a trigger such as a larger than normal transaction or unusual usage. If an account is suspended, PayPal then needs to verify information about that merchant before it

can restore access to that account.

Mr Christie said merchants could prepare by having documentation at the ready that proves their identity and verifies the nature of their business. This might include a certificate of business registration and utility bills that provide proof of address.

"Some customers move online and it's the start of their first bank relationship ever. They don't realise they need to provide documentation and evidence of business," Mr Christie said. "That's when some people run into problems."

He also recommends that merchants who are about to conduct an unusually large transaction notify PayPal in advance. "We can then ensure all the checks are done upfront, to avoid having to put accounts on hold pending those checks," he said.

Mr Pafumi said his new provider, Paymate, was more transparent. "You get a sale and the funds go directly into your nominated account," he said.

This differs from the PayPal system, in which all users have a dedicated PayPal account that is a separate entity from a bank account.

Paymate's head of ecommerce, Andrew Pipolo, said Paymate accounts under suspicion stay frozen for an average of two days.

Marc Pafumi says he lost time and money when PayPal suspended his merchant account for no good reason.
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