

Before the Arbiter for Financial Services

Case ASF 225/2024

TG

(Complainant)

Vs

Papaya Limited

Reg. No. C 55146

(Service Provider or Papaya)

Sitting of 12 June 2025

The Arbiter,

Has read the Complaint¹ filed by Complainant which basically explains that:

1. Complainant made a booking for 2 persons and 2 rooms (himself and a friend) covering services (including accommodation, food and other services) with a Sport Club in Romania (Merchant) for a period of 30 days starting 01 June 2023.²
2. The booking was made on 30 May 2023 and was secured by Mastercard issued by Papaya for the amount in Euro equivalent to €7,070 and €7,799.40 totalling €14,869.40. On booking, this amount was blocked on the account which Complainant held with Papaya.
3. Due to bad weather, the booking was cancelled and Complainant produced evidence from the Merchant stating that the blockage of the

¹ Pages (p.) 1 – 7 and documents attached p. 8 – 35

² P. 60

funds on MasterCard account was released through their correspondents UNICREDIT Bank.³

4. However, Papaya never lifted or released the blocked funds as they maintain that they never received a proper release from MasterCard or UNICREDIT.
5. Complainant stresses that Papaya did not give proper attention to his request to check why funds were still blocked on his account in spite of consistent correspondence dating back from July 2023.⁴
6. After time lost in toing and froing, it was only in April 2024 that Papaya started procedure for recall (or release) of funds with Mastercard.
7. As no proper explanation was forthcoming, Complainant filed a formal complaint⁵ against Service Provider on 26 September 2024, and on 14 October 2024, Papaya replied apologising for the delay and confirming that after detailed investigation, ***“the block on your account will be lifted within the coming days, and you will be able to access and manage the remaining balance on your account without any further issues.”***⁶
8. As nothing happened in spite of these assurances, following further chasers and investigation, Complainant was guided by Papaya to make an appropriate ‘Reclamation request: Authorisation for hold removal’ request on MasterCard on 01 November 2024.⁷
9. Complainant states that Papaya never provided immediate and clear guidance with respect to recall of funds, and they have been unable to get release for amounts blocked with the intermediary bank. In addition to this, they blocked his account not allowing him to process any transfer.⁸
10. By way of resolution, Complainant seeks release of blocked amount and lifting of all blocks for full use of his account with Service Provider. In his final submissions he also added that he expects compensation by way of

³ P. 57

⁴ P. 27 - 29

⁵ P. 12

⁶ P. 9 - 10

⁷ P. 15; 17

⁸ P. 3

interest of 8% for the period his funds were blocked which was defined from 16 June 2023.

Reply

In their reply, Papaya stated:⁹

1. ***'We confirm that (the Complainant) is a client of Papaya Ltd. holding an active account within our system.***
2. ***Throughout the entire period, Papaya Ltd. has maintained active communication with the client addressing their concerns and providing assistance. It is important to emphasize that the issues faced by the client were not caused by Papaya Ltd. but arose due to either an error or potential fraud by a third party.***
3. ***The client has been repeatedly informed of the necessary actions they need to take to have the hold on their account lifted, which was placed by the merchant – a third-party entity. Furthermore, detailed instructions and guidance were provided to the client for submitting a claim to MasterCard.***
4. ***At this point, all relevant documents have been submitted to MasterCard which is currently reviewing the data to resolve the issue and lift the hold on the client's funds.***

We remain committed to assisting (the Complainant) and ensuring that this matter is resolved as swiftly as possible within the limits of our capabilities. We are also committed to attend mediation if needed to clarify all the circumstances on the online session.'

Hearings

The Arbiter ruled not to apply contumacy rules against Papaya in respect of their late reply for reasons explained in his decree dated 17 March 2025.¹⁰

Hearings were held on 24 February 2025, 18 March 2025, 17 April 2025 and 05 May 2025. An abnormally large number of hearings were held as Arbiter tried to

⁹ P. 41

¹⁰ P. 47 - 48

see whether the main source of the complaint could be resolved by release of the funds through the intervention of the Merchant, MasterCard and UNICREDIT.

From the hearings, the following emerged:

- a. Papaya seemed to suspect that the transaction involved fraud as they claim having experience of similar cases where funds were released on expiry of the normal 30-day period and then, the Merchant charged the card account after funds were released.¹¹
- b. Papaya stated that they were in active engagement with MasterCard to procure proper release of the funds which they claim were still on hold by the Merchant in spite of what the latter have confirmed in writing to the Complainant about release of their hold.
- c. From evidence submitted to the Arbiter about their engagement with MasterCard, it is evident that once the possibility of fraud was suspected and reported to MasterCard, the process was slowed down with MasterCard merely pointing on 10 October 2024¹² to follow guidance and solutions by providing appropriate links to their website. After this, no evidence was submitted of further communications from MasterCard despite several chasers.
- d. In an earlier exchange of 04 September 2024¹³ with MasterCard, the latter had indicated that:

‘the time frame for the time to hold transactions has not been specified in days, but it should be based in agreement between the Acquirer and the Merchant of the transaction ... What is suggested to do in this situation, for clarification of the issue, to understand the reason for the delay is to contact the responsible parties and work together for a resolution.’

MasterCard then gave 3 contact email addresses at UNICREDIT Romania (the Acquirer) to whom they suggested that negotiations be started to arrive at a resolution.

¹¹ P. 52

¹² P. 66 - 67

¹³ P. 67 - 68

On 10 September 2024,¹⁴ MasterCard were informed by Papaya that the contact persons given had not yet replied to the enquiry. No evidence was provided of any further contact with UNICREDIT Romania.

- e. Papaya were so much harbouring suspicions that this was a case of merchant fraud that they even asked MasterCard if it was possible to blacklist the Merchant.
- f. It results that Papaya, in their evidence during the hearings, were unjustifiably optimistic that MasterCard were actively co-operating to resolve the issue when, in fact, MasterCard had indicated that the resolution needed the co-operation of the Merchant and the Acquirer (UNICREDIT).

No evidence was submitted of any active exchanges going on with either.

Final submissions

In the final submissions, the Complainant maintained his positions already explained with Complainant including claim for interest reimbursement as above explained. The Service Provider merely restated their position.

Analysis and consideration

The Arbiter, having given due consideration to the complaint, the reply and the submissions and evidence emerging during the hearings, concludes as follows:

- A. Papaya handled this complaint in very poor manner not giving their client their due co-operation to understand the underlying issues of the problem and then seek effective solutions thereto.
- B. Whilst one can understand that Papaya may have had reasons to suspect fraud and to withhold release of the funds until they obtain formal release from the Acquirer/Merchant, it was rather imprudent to report such mere suspicions without factual evidence to MasterCard.

Once fraud was mentioned, MasterCard seemed to have withdrawn from active involvement and suggested direct negotiations with the Merchant and Acquirer.

¹⁴ P. 67

- C. No evidence was submitted that Papaya are actively in communication with the Acquirer Bank as MasterCard had suggested to try to find a proper resolution. Instead, Papaya continue to send chasers to MasterCard which are not being replied to.
- D. The Arbiter understands that Papaya need formal release of the hold on the funds before they release same to Complainant but is not convinced that Papaya are doing their best to obtain such release.

Decision

In view of the above, the Arbiter decides as follows:

- i. Papaya are to pay the Complainant €1,000 (one thousand euro) for damages and stress caused through their inefficient handling for this complaint.
- ii. Interest at a rate of 3% p.a. (average marginal refinance operations rate applicable to Euro as declared by the ECB during the period) is to accrue and eventually be paid on the blocked funds as from 09 December 2024 being date of service of the complaint by OAFS on Papaya, as this serves as an equivalent of an official legal letter.
- iii. Complainant is to do his utmost to force the Merchant to put pressure on their Acquirer (UNICREDIT Romania) to make a formal release of the hold on funds.
- iv. Papaya are to do their utmost to enter into a direct engagement with UNICREDIT Romania (Acquirer) to obtain a formal release of the hold.
- v. In the absence of any regulatory reason, Complainant is to be permitted full normal use of his account balance (except for the amount on hold until it is released).

Parties are to carry their own costs of these proceedings.

Alfred Mifsud
Arbiter for Financial Services

Right of Appeal

The Arbiter's Decision is legally binding on the parties, subject only to the right of an appeal regulated by article 27 of the Arbiter for Financial Services Act (Cap. 555) ('the Act') to the Court of Appeal (Inferior Jurisdiction), not later than twenty (20) days from the date of notification of the Decision or, in the event of a request for clarification or correction of the Decision requested in terms of article 26(4) of the Act, from the date of notification of such interpretation or clarification or correction as provided for under article 27(3) of the Act.

Any requests for clarification of the award or requests to correct any errors in computation or clerical or typographical or similar errors requested in terms of article 26(4) of the Act, are to be filed with the Arbiter, with a copy to the other party, within fifteen (15) days from notification of the Decision in terms of the said article.

In accordance with established practice, the Arbiter's Decision will be uploaded on the OAFS website on expiration of the period for appeal. Personal details of the Complainant(s) will be anonymised in terms of article 11(1)(f) of the Act.