

## **Before the Arbiter for Financial Services**

**Case ASF 125/2025**

**JS**

**(Complainant)**

**Vs**

**Papaya Limited**

**Reg No. C 55146**

**(Service Provider or Papaya)**

### **Sitting of 5 December 2025**

The Arbiter,

Has read the Complaint<sup>1</sup> filed by Complainant and the Reply<sup>2</sup> of the Service Provider which basically explain that:

1. Complainant had an amount of €19,150 which was blocked on his account.
2. After waiting for their release from June 2023, he finally started chasing such release in late April 2025.<sup>3</sup>
3. On 26 May 2025, Papaya informed him that the funds could not be released as there was a hold on the funds by Mastercard due to a purchase transaction made with his Card which has not been charged but the hold was not yet released.

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<sup>1</sup> Pages (p.) 1 - 7 and documents attached p. 8 - 37

<sup>2</sup> P. 44 - 45

<sup>3</sup> P. 8

4. Papaya guided Complainant to file a reclamation form with Mastercard requesting release of the funds.
5. Up to date of filing of this Complaint with the OAFS, on 16 June 2025, funds were not yet released.
6. The funds were considered released and were returned to Complainant on 16/17 July 2025. His account with Papaya was then closed.
7. Complainant confirms receipt of the funds that were blocked since June 2023 but maintains his complaint restrictedly to payment of interest at 5% for some 2 years calculated at €1,819.
8. Papaya refuse this claim as they maintain that they operated within the regulatory framework and operational limits. They maintain they always held a co-operative attitude and were committed to ensuring a compliant and transparent resolution process.<sup>4</sup>

## Hearing

During the hearing held on 13 November 2025, the parties largely maintained their respective positions as above explained.

Complainant disputed that the funds were effectively blocked by Mastercard and that even if they were blocked, the Merchant would have 30 days to charge the transaction. Additionally, any potential chargeback period was limited to 120 days with a maximum of 540 days in exceptional circumstances.

Service Provider stated:

***'The main facts are that two years ago, the funds were blocked, not because of Papaya's will, but because the merchant, the provider of some services of sports camp, as [the Complainant] says, that they have made the booking of the sport camp in Romania, and the merchant of this sport camp has blocked this amount on his MasterCard, on the card which is connected to the account in Papaya.***

***The merchant didn't release those funds. More than that, there is some sensitive information about the blocking of these funds which cannot be***

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<sup>4</sup> P. 45

***disclosed by my side because Papaya was acting according to the laws of Malta and according to the laws of the European Union. Thus, we couldn't release those funds.***

***So, time passed, and we didn't receive any order from the merchant to unblock these funds. We couldn't release them from our side because, basically, we were not the merchant that has blocked these funds. So, we have contacted MasterCard, who has blocked these funds. I have provided the request form, the request for reclamation to [the Complainant]. He has filled it, and we have forwarded it to MasterCard.***

***So, it was up to MasterCard to release those funds because, basically, there is some information that even Papaya do not possess, but MasterCard can possess in terms of their payments, etc. And also, we have contacted the bank of the merchant through MasterCard, through our partner, that this money has been blocked from the site of the merchant so, basically, they need to be released, that the client is arguing with us and making his claims. And, after the communication, the funds have been released from the request of reclamation that we made with the consent of Mastercard.***

***At the moment, we don't have any money from [the Complainant]. More than that, the account has been closed from our side because after all these interactions with MasterCard and our client, we could close his account.'***<sup>5</sup>

The Arbiter then gave until 30 November 2025 for Papaya to present documentary evidence that the funds were blocked in June 2023 by Merchant or Mastercard and that such blockage lapsed or was released in July 2025.<sup>6</sup>

## **Submissions**

In their submission of 01.12.205,<sup>7</sup> Papaya largely restated their case but submitted no evidence, as requested, that:

1. There was an effective hold on the funds as from June 2023.
2. This hold was effectively only released or lapsed in July 2025.

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<sup>5</sup> P. 47

<sup>6</sup> P. 48

<sup>7</sup> P. 49 - 59

## Analysis and consideration

The Arbiter gave due consideration to the complaint, the reply and the submissions and the evidence emerging during the hearing, in particular that:

- A. Papaya handled the process leading to this complaint in a poor manner with no evidence that they were actively trying to have the hold lifted until the Complainant effectively started chasing in April 2025.<sup>8</sup>
- B. Papaya failed to submit the evidence requested by the Arbiter as above explained.
- C. Complainant did not help his case when he waited from June 2023 to April 2025 to start chasing updates on the blockage of funds.
- 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 did their best to obtain such release. In fact, once they started doing their best, the funds were released in fair time by July 2025.

## Decision

The Arbiter is obliged to determine and adjudge this complaint in accordance with article 19(3)(b) of Chapter 555 of the Laws of Malta by reference to what, in his opinion, is fair, equitable and reasonable in the particular circumstances and substantive merits of the case.

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

- i. Papaya are to pay interest for 4 months<sup>9</sup> on €19,150 at a rate of 2.25% p.a. (average marginal refinance rate of ECB for the period between April and July 2025) rounded to €145.
- ii. Papaya are to compensate Complainant by a further €500 for the damage caused to Complainant by their ineffective poor handling of the process.

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<sup>8</sup> P. 8

<sup>9</sup> Covering period when Complainant started chasing in April 2025 till July 2025 when he was effectively paid.

- iii. In terms of Article 26(3)(c)(iv) ta' Chapter 555 of the Laws of Malta, Papaya are accordingly ordered to pay Complainant the amount of €645 with interest at 2.15%<sup>10</sup> from 5 days after the date of this decision till date of effective payment.
- iv. 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. Personal details of the Complainant(s) will be anonymised in terms of article 11(1)(f) of the Act.

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<sup>10</sup> Marginal Refinance Operations (MRO) rate of the European Central Bank. Should this decision be appealed to the Court of Appeal (Inferior) and will be confirmed, interest will apply from date of this decision.