

Before the Arbiter for Financial Services

Case ASF 192/2026

LG

(‘Complainant’)

Vs

Papaya Ltd.

Reg. No. C55146

(‘Service Provider’ or ‘Papaya’)

Sitting of 30 September 2026

This complaint¹ relates to various payments effected by Complainant through her account with German banking institutions to an IBAN account No. MT79PAPY 9657, an account held with Papaya by undisclosed beneficiaries.

The payments were made between 13 November 2023 and 22 December 2023 for a total value of €44,440². The total payments claimed in the complaint amount to €44,400³ but in the direct correspondence with Papaya, the amount is declared as €49,440⁴ and the total loss reported to German police is declared at €68,402⁵.

Payment orders showed Complainant’s name as the client, without specifying whether she was the remitter or the beneficiary.

By way of background to these payments, Complainant explained:

“On 23 October 2023, my son was admitted with a stroke to the (he passed away in February 2024). Under the emotional distress of this situation and the additional pressure of having to pay the

¹ Pages 1 - 8 and attachments p. 9 - 100

² P. 24 - 25

³ P. 4

⁴ P. 9

⁵ P. 97

mortgage on our family home, I made a mistake: I responded to a fraudulent advertisement on YouTube, allegedly offering participation in trading on the BSDEX exchange. The criminal group assigned me a consultant named Althaus, presented as a Russian-speaking representative. All our conversations took place exclusively in German over the phone and via WhatsApp, where he provided written instructions regarding the amounts and the destination accounts for the transfers.

The perpetrators created a highly convincing and realistic simulation of online trading on the BSDEX platform. Following Althaus's written instructions, I transferred funds to an account held at your bank, Papaya, from where—according to him—they were supposedly forwarded directly for my trading activities on the BSDEX exchange. (Copies of all remittance receipts to your bank are enclosed.)

In mid-January 2024, after unsuccessful attempts to extract further payments from me, Althaus disappeared. I immediately filed a report with the cybercrime police in Ratingen; the case was later transferred to the Düsseldorf Prosecutor's Office, where the investigation is still ongoing.

In July 2025, I submitted complaints to your bank and to BSDEX. Your bank did not respond, while BSDEX provided two contradictory statements within two days: first, I was informed that my name did not appear in any of their systems; the next day, I received a statement claiming that an account had indeed been opened in my name and subsequently closed. As a result of the settlement, €0.01 was transferred to my German bank account, and I never received the account statement from BSDEX.

You mentioned in your message that your bank will consider how you can assist me. Under the current circumstances, the most effective and meaningful form of assistance would be the return of the funds that were unlawfully received and subsequently transferred or held through accounts within your bank. In that case, I would not need to initiate civil legal proceedings.⁶

⁶ P. 30 - 35

She considered Papaya responsible for her losses because they accepted to process the payments even though they had⁷:

- no clearly identified beneficiary
- no stated purpose of the payment
- no apparent contractual or economic justification.

By way of resolution, she demanded that Papaya compensate her an amount covering her losses of €44,400⁸.

Reply of Service Provider

In their reply of 01 July 2026, Service Provider stated:

“We hereby confirm that Papaya Ltd. is aware of the complaint in question. The complaint was formally registered in our internal complaints management system on 20 November 2025.

The complaint was received by Papaya Ltd. through the following channels:

- ***by ordinary mail to the Company's registered address; and***
- ***electronically via the email addresses info@papaya.eu and customerservice@papaya.eu.***
- ***On the 13th of January 2026 we have received the complaint from (the Complainant) from MFSA (Mr.)***

Following receipt, the complaint was acknowledged and handled in accordance with Papaya Ltd.'s internal Complaints Handling Policy. An exchange of correspondence with the Complainant subsequently took place, during which Papaya Ltd. requested additional information necessary to assess the matter, including documentation evidencing any contractual or legal relationship relevant to the transfers in question. It is necessary to mention that the communication with the Complainant was regular from Papaya side, as well as the internal investigation took place. Thus, the claim of the Complainant that she did not receive information from Papaya Ltd. is false. On the contrary, the Complainant

⁷ P. 10

⁸ P. 4

provides the evidence in her complaint that the communication took place.

I also confirm that we have provided with the information Mr. XX from MFSA on his request about the complaint of the Complainant.

Based on the information and documentation provided, Papaya Ltd. established that the Complainant is not, and has never been, a client of the Company. The transfers referred to in her complaint were initiated by her to an account held with Papaya Ltd. upon the instructions of third parties described by her as "brokers", with whom she communicated exclusively via WhatsApp. The Complainant confirmed that she is unable to provide any contractual documentation or agreements with such third parties, other than copies of outgoing payment confirmations from her own bank account.

In the absence of a contractual relationship with Papaya Ltd., and given the lack of verifiable documentation identifying the alleged third parties or establishing a legal basis for the claims made, Papaya Ltd. is legally restricted from disclosing account-related information or conducting an investigation on behalf of a non-client. Furthermore, the Company is unable to reverse or refund funds that were voluntarily transferred to third parties without any involvement, instruction, or facilitation by Papaya Ltd.

The Complainant was duly informed of these conclusions. She was also advised that Papaya Ltd. remains fully available to cooperate with competent law enforcement or regulatory authorities upon receipt of a lawful request.⁹

Decision re Preliminary Plea

In their Reply,¹⁰ the Service Provider raised an issue (as a preliminary plea) stating that there was no contractual relationship between Papaya and Complainant who was never an account holding client.

⁹ P. 103 - 104

¹⁰ *Ibid.*

The Arbiter's competence

Article 22(2) of Chapter 555 of the Laws of Malta ("the Act") stipulates that:

"Upon receipt of a complaint, the Arbiter shall determine whether the complaint falls within his competence."

Moreover, in virtue of Article 19(1) of the Act, the Arbiter can only deal with complaints filed by **eligible customers**:

*"It shall be the primary function of the Arbiter to deal with complaints filed by **eligible customers** through the means of mediation in accordance with Article 24 and where necessary, by investigation and adjudication."*

The Act stipulates further that:

"Without prejudice to the functions of the Arbiter under this Act, it shall be the function of the Office:

*(a) To deal with complaints filed by **eligible customer**."*¹¹

Thus, the Arbiter has to primarily decide whether the Complainant is, in fact, an **eligible customer** in terms of the Act.

Eligible customer

Article 2 of the Act which defines "*eligible customer*" was amended in 2025 with a proviso that:

"in the case of suspicious fraudulent payment transactions involving financial services providers, the victim of fraud exhibiting immediate, genuine and legitimate interest shall be deemed to be an eligible customer of any one of the financial services providers involved in the suspicious fraudulent payment transaction and this proviso shall be applicable with effect from 1st October 2025".

As the payments subject of this complaint were made before 1st October 2025, this proviso is irrelevant to their status of eligibility.

¹¹ Article 11(1)(a)

Conclusion re Arbiter's competence

From the evidence provided, it results clearly that Papaya was merely transmitting funds from Complainant's German bank accounts to an IBAN account held with them by undisclosed beneficiaries.

What fate the funds had after they were credited to such account was not disclosed by Papaya citing GDPR reasons¹² although they reiterate that they would co-operate with law enforcement and regulatory authorities to give any information they are allowed by law to disclose¹³.

The Complainant's evidence leaves no doubt in the Arbiter's mind that the loss incurred was caused by gross negligence (not seeking any advice or making proper due diligence checks before parting with her money in search of an unrealistic profit scenario).

Papaya merely executed the remitter's (Complainant's) order in the transfer to credit the funds to the IBAN number indicated by Complainant herself in the transfer orders. It is normal for banks and financial institutions to process payments to accounts specifically indicated in the payment orders even if their identity is not revealed. It was only in October 2025 that matching of account numbers (IBANs) and beneficiary name came into force and this would be the obligation of the remitting bank rather than the receiving institution¹⁴.

The Arbiter finds no conduct failure on the part of Papaya.

Complainant only contacted Papaya in July 2025, more than 18 months after execution of the last transfer subject of this complaint. No evidence has been submitted that Complainant had any contact with Papaya before this date, even though Papaya was specifically identified in the transfer orders as the receiving financial institution.

This is sufficient evidence to sustain the claim that Complainant was not an eligible customer of Papaya for the payments in question. The Arbiter consequently declares his having no competence to hear the merits and adjudge this complaint as Complainant is not an eligible customer in terms of Article 2 of the Act.

¹² P. 16

¹³ P. 104

¹⁴ 2024/886 REGULATION (EU) 2024/886 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 13 March 2024 amending Regulations (EU) No 260/2012 and (EU) 2021/1230 and Directives 98/26/EC and (EU) 2015/2366 as regards instant credit transfers in euro. Article 5c.

Decision

For these reasons, the Arbiter is dismissing this complaint and orders parties to carry their own costs of these proceedings.

This decision is without prejudice to any potential rights Complainant may have against other institutions involved in the payments journey of this fraud.

Alfred Mifsud
Arbiter for Financial Services

Information Note related to the Arbiter's decision

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.