

## **The complaint**

D complains about PayPal (Europe) Sarl et Cie SCA and the way they dealt with a chargeback claim raised against it by a buyer.

## **What happened**

In November 2021, D sold a product to a buyer for \$94.99, which it sent by post. Around two weeks later, PayPal received notification from the buyer's bank, who I'll refer to as "B", that the buyer had raised a chargeback as the product hadn't been received.

PayPal notified D of this, and D says it provided PayPal with proof of postage that showed the product had been delivered. But despite this, PayPal accepted the outcome of the chargeback claim, made by B, and refunded the buyer the purchase amount. D was unhappy about this, so it raised a complaint.

D didn't think PayPal had defended the chargeback claim fairly or reasonably. D thought it had provided substantial evidence that showed the product had been delivered and so, it thought PayPal should've progressed the chargeback to the arbitration stage. And it thought if it had, the chargeback would've been declined. So, D wanted PayPal to refund it the \$94.99 that had been taken from its account.

PayPal didn't agree. They thought they'd acted fairly when accepted the chargeback decision, and debiting D's account because of this. They also explained that due to the type of transaction the buyer completed, D wasn't eligible for the return of the \$94.99 through its seller protection policy. So, PayPal didn't think they needed to do anything more. D remained unhappy with this response, so it referred its complaint to us.

Our investigator looked into the complaint and upheld it. They accepted D wasn't eligible under PayPal's seller protection. And they accepted it was B's decision on whether to accept the chargeback claim. But they didn't think PayPal had done enough to defend the claim on behalf of D. And our investigator thought, based on the evidence D provided, that it was likely the claim wouldn't have been upheld had it been escalated to arbitration. So, they thought PayPal should refund D the \$94.99 along with 8% simple interest from the date the payment was taken to the date it was returned.

D accepted this. But PayPal didn't. They maintained their belief they had acted fairly when accepted B's chargeback decision, which they didn't think they were responsible for. And they didn't think the proof of delivery D provided would've been enough to overturn this decision. So, they maintained their position that they shouldn't need to do anything further. As PayPal didn't agree, the complaint has been passed to me for a decision.

## **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

Having done so, I'm upholding the complaint for broadly the same reasons as the

investigator. I've focused my comments on what I think is relevant. If I haven't commented on any specific point, it's because I don't believe it's affected what I think is the right outcome.

It's not disputed that, due to the type of transaction the buyer completed, D isn't eligible for a refund under PayPal's Seller Protection. So, I don't intend to consider, or discuss, this any further.

Instead, my decision has focused on the actions of PayPal during the chargeback process, initiated by the buyer through B. While I accept that PayPal weren't responsible for the acceptance or decline of the claim, for me to say they've acted fairly I would expect them to ensure D's claim was defended in a reasonable manner.

So, I'd expect PayPal to consider the evidence D provided that refuted the buyer's claim that the product wasn't received. And following this, I'd expect this evidence to be put to B, for them to consider as part of the chargeback claim itself. And if this evidence failed to provide D with the outcome it hoped for, I'd expect PayPal to consider whether progressing the claim to arbitration was the right thing to do. And unfortunately, in this situation, I don't think they've done this.

I've seen no evidence to show me that PayPal passed D's proof of postage to B for consideration as part of the chargeback the buyer raised. I've considered this proof of postage and I can see it shows the product as being recorded as delivered by the delivery company, to the same address as the address shown on D's invoice for the transaction. So, I think this is substantial evidence that B should've been made aware of, ensuring the chargeback was considered fairly. By not providing this to B, I think PayPal have acted unfairly.

I recognise this evidence may not have changed the decision B reached, and I accept PayPal couldn't control this. But as part of the chargeback process, either party is entitled to progress a chargeback to arbitration if they're unhappy with the way in which the claim is settled initially. And in this situation, I think this is something PayPal would've pursued if they were acting fairly, as I think the evidence D provided is significant. As PayPal didn't do this, again, I think PayPal have acted unfairly.

As I don't think PayPal acted fairly when they dealt with the chargeback claim on behalf of D, I've then thought about what I think they should do to put things right.

### **Putting things right**

Any award or direction I make is intended to place D back in the position it would've been, had PayPal acted fairly in the first instance.

In this situation, had PayPal acted fairly, I think the postage evidence D supplied would've been sent to B. And, in the event this didn't change B's original decision, I think PayPal would've passed the claim to arbitration.

I've then thought about what I think is most likely to have happened, had this action been taken. And based on the evidence, which shows the product as being delivered to the same address as that given by the buyer and documented on the invoice, I think it's most likely the claim would've been overturned and found in D's favour. So, in this situation, PayPal wouldn't have needed to have taken the payment. Or, if they already had, it would've been refunded to D.

So, to place D back in this position, I think PayPal should refund it the \$94.99. And I think it

should add 8% simple interest to this amount, from the date it was taken to the date of refund to recognise the time D hasn't had this available to it.

### **My final decision**

For the reasons outlined above, I uphold D's complaint about PayPal (Europe) Sarl et Cie SCA and I direct them to take the following action:

- Refund \$94.99 to D; and
- Pay D 8% simple interest on this amount from the date the amount was taken from D's account to the date it is returned.

Under the rules of the Financial Ombudsman Service, I'm required to ask D to accept or reject my decision before 16 August 2022.

Josh Haskey  
**Ombudsman**