

The complaint

Miss F complains that PayPal (Europe) Sarl et Cie SCA refused her request for a refund, after she raised a claim under its Buyer Protection policy.

A representative has been helping Miss F with her complaint. For ease, I'll refer to anything they've said as being said by Miss F.

What happened

Miss F used her PayPal account to purchase some gym equipment from a seller online. She says that the equipment was badly damaged and rusty when it arrived.

Miss F raised a dispute with PayPal under its Buyer Protection policy, using the category "*significantly not as described*". PayPal agreed to refund her if she returned the items to the seller and provided the tracking details within ten days. Miss F didn't return the items within the specified timeframe, so PayPal denied her claim.

Miss F complained to PayPal. She said the equipment was very heavy and would have cost hundreds of pounds to ship. She says she explained this to PayPal many times, but it had nevertheless closed her case.

PayPal said it had acted in line with its user agreement. It said that although the purchase was eligible for Buyer Protection, her claim was not successful as she didn't return the items within the requested timeframe.

Miss F remained unhappy and asked our service to consider her concerns. Our investigator looked into the matter and thought Miss F's complaint should be upheld. He didn't think PayPal had acted fairly and recommended it refund Miss F the cost of the gym equipment, with 8% per annum statutory interest from the date it had denied her claim.

PayPal disagreed with our investigator's view. It didn't think he'd considered how the seller would be severely disadvantaged if PayPal had agreed to Miss F's claim without requiring the items to be returned.

PayPal said it hadn't been presented with evidence to show that the postage costs were for the most affordable courier Miss F could have used. It also commented that PayPal shouldn't be held liable for costs associated with the return of the item and its process doesn't hinder a complainant's right to reclaim postage costs from the seller. It suggested Miss F address the issue directly with the seller through the small claims court. So, the complaint has been passed to me to decide.

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've decided to uphold Miss F's complaint. I'll explain why.

PayPal's user agreement says that buyers may be eligible for a refund under its Buyer Protection policy in certain circumstances, including where the item is "*Significantly Not as Described*".

PayPal's user agreement says that a claim may be denied if certain steps aren't followed including to: "*Comply with PayPal's shipping requests in a timely manner, if you're filing a Significantly Not as Described claim. PayPal may require you, at your expense, to ship the item back to the seller, to PayPal or to a third party (which will be specified by PayPal) and to provide proof of delivery*".

Miss F has provided several photographs to show that the items she received were rusty and damaged. PayPal says it didn't have the opportunity to inspect or review the items or to list its attributes or qualities. However, it did initially agree that Miss F was eligible for a refund under its Buyer Protection policy. So, PayPal appears to have accepted that the items met its criteria for "*significantly not as described*".

Miss F says it would have cost her around £460 to return the items and has provided screenshots of quotes to support this. She says she would have needed to pay an additional £125 on top of this for insurance. This means that the cost of returning the items would likely have been around half of what she'd paid for them. PayPal has commented that Miss F might have been able to use a cheaper courier, but it hasn't provided any evidence to support this. In any event, I'm persuaded that it would have been expensive for Miss F to return the items.

PayPal's user agreement says that it "*may*" require a buyer to ship the item back to the seller, which implies that there are circumstances where returning the item isn't required. The user agreement also says PayPal "*will make a final decision (including automatically closing any dispute or claim), in its sole discretion...*". But that doesn't mean PayPal can do whatever it likes. It has to use its discretion fairly.

In this case I don't think PayPal has used its discretion fairly because if Miss F had returned the items to the seller and she'd been refunded what she'd paid, she still would have been left significantly out of pocket. PayPal has made several comments about needing to be fair to the seller of the equipment. However, it hasn't provided any information to show whether or not the seller disputed that the items were poor condition. And PayPal appears to have agreed that the items the seller sold were "*significantly not as described*" because it initially accepted Miss F's claim. So, based on what I've seen, I think it would be fair for Miss F to be refunded what she'd paid for the items without having to incur the cost of returning them.

Putting things right

PayPal should refund Miss F the payment she'd claimed for (£1,207.49) plus 8% per annum simple interest* on this amount from the date it denied her claim (15 March 2020) to the date of settlement.

*HM Revenue & Customs requires PayPal to deduct tax from this interest. PayPal should give Miss F a certificate showing how much tax it's deducted if she asks for one.

My final decision

For the reasons I've explained, I uphold Miss F's complaint and direct PayPal (Europe) Sarl et Cie SCA to put things right by doing what I've said above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss F to accept or reject my decision before 22 August 2022.

Anne Muscroft
Ombudsman