

The complaint

Mr E complains about PayPal (Europe) Sarl et Cie SCA and the service he received when a buyer raised a chargeback against him.

What happened

Mr E sold an item through an online selling platform in October 2020 for £649. This purchase was processed via PayPal.

In January 2022, the buyer of this item raised a chargeback, saying the item wasn't received. PayPal responded to the chargeback, providing the buyers bank with tracking information Mr E provided them at the time of the transaction. But due to time that had elapsed since the purchase, this tracking number was no longer valid. PayPal didn't return to Mr E for any further information.

The buyer's bank upheld the chargeback in the buyer's favour. And so, PayPal proceeded to debit Mr E's account by £649, plus a £12 dispute fee. And when Mr E didn't bring his account back to a balance of £0, they instructed a collection agency to collect this. Mr E was unhappy about this, so he raised a complaint.

Mr E didn't think PayPal's decision to debit his account was fair. He thought he should've been given the chance to provide additional information which showed the item was delivered. And he thought if they had, it's likely the chargeback wouldn't have been upheld. Or, that he would've been covered under PayPal's Seller Protection Policy (SPP). So, he wanted PayPal to refund him the £649, plus the £12 dispute fee he was charged. And he wanted to be compensated £1,500 for the upset and inconvenience the issued caused.

PayPal responded initially and didn't agree. They didn't think they were responsible for the buyer's banks chargeback decision. So, they thought they were fair to debit Mr E's account in line with this. Mr H remained unhappy, so he referred his complaint to our service.

While the complaint was with our service, PayPal took the decision to refund Mr E's account the £649 and the £12 dispute fee. But they didn't offer any compensation. Mr E asked for our service to continue with our investigation.

Our investigator looked into the complaint and upheld it. They recognised PayPal had refunded the payment and dispute fee to Mr E. And they explained this is something they would've direct PayPal to do, as they thought PayPal should've requested further proof of delivery information when it became clear the tracking number was no longer valid. So, they thought Mr E should've been covered under the terms of the SPP and that PayPal were unfair to debit Mr E's account. Our investigator recognised the upset and inconvenience this caused, evidence by Mr E's contact with PayPal during the period between the debit and the refund. So, our investigator thought PayPal should pay Mr E an additional £150 to compensate Mr E for this.

Mr E initially rejected this recommendation, explaining he didn't think it was enough to compensate him or deter PayPal from doing the same thing to another customer. Our

investigator explained the £150 fell in line with our services approach, as well as explaining our service is unable to punish businesses or consider service provided to another customer. Following this, Mr E accepted our investigator's recommendation. But PayPal didn't respond, despite several chaser emails from our investigator. As PayPal didn't respond, 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.

Before I explain why I've reached my decision, I think it would be useful for me to explain exactly what I'm able to consider. I recognise Mr E is unhappy with PayPal's business processes and has concerns that other customers may receive a similar level of service which he feels would be unfair. And he'd like their processes to be changed because of this. But this isn't something our service is able to consider or direct as this would fall under the remit of the industry regulator, the Financial Conduct Authority. So, I haven't thought about this further.

Instead, I've considered the complaint on its own merits, based on its own individual circumstances. And having done so, I think PayPal acted unfairly.

I agree with PayPal that the decision to uphold the chargeback raised by Mr E's buyer was ultimately the responsibility of the buyer's bank. So, I don't think it would be fair to hold them responsible for this. But I would expect PayPal to ensure Mr E had a fair and reasonable opportunity to provide the buyer's bank with evidence to defend the claim, as part of the chargeback process.

I recognise PayPal intended to do this, and they provided the tracking number they already held on file from October 2020. But it's not disputed that due to the time that had elapsed since the purchase, this tracking number no longer worked. I would've expected PayPal to ensure this tracking number provided the evidence it intended to before submitting it. And if they had done this, they would've realised the tracking number was no longer valid.

So, at this point I would've expected PayPal to return to Mr E and give him the opportunity to provide any additional he may hold that would support his position that the item had been delivered. But PayPal have confirmed they didn't do this.

Mr E has since provided both PayPal and our service a copy of messages sent between himself and the buyer, where the buyer confirms delivery of the item. I think this evidence is compelling and I think had it been provided to the buyer's bank during the chargeback process, it would've most likely led to a different outcome.

But I'm aware I can't say this for certain and PayPal still had no responsibility over this decision. But PayPal do have a responsibility to ensure the terms of their SPP is applied correctly, and fairly. And in this situation, I think the evidence was compelling enough to ensure if the chargeback was found in the buyer's favour, that Mr E incurred no financial loss. So, had PayPal acted fairly, I don't think Mr E's account would have been debited. But it was and so, I think PayPal were unreasonable when taking this action.

As I think PayPal acted both unreasonably and unfairly, I've then thought about what I think they should do to put things right.

Putting things right

Any direction or award I make is intended to place Mr E back in the position he would've been, had PayPal acted fairly in the first instance. Since the complaint came to our service, PayPal have already refunded Mr E the £649 they debited, plus the £12 dispute fee. So, I think this places Mr E back in the financial position he should've been in and I'm glad to see PayPal have done this pro-actively.

But I don't think this adequately address, or resolves, the inconvenience and upset this situation will have caused Mr E. I think it would've been upsetting for Mr E to realise his account had been debited and placed in a negative balance. And I think this would've been made worse when he was contacted by a collection agency seeking payment.

I can also see Mr E contacted PayPal on several occasions, via several different channels, to try and resolve the situation over a period of around three months. And I think this would've taken both time and effort which would've been inconvenient to him.

Our investigator recommended PayPal pay Mr E an additional £150 to recognise the impact I've outlined in the paragraphs above, which Mr E has accepted. I think this payment is a fair one and in line with what I would've direct, had it not already been put forward. So, I think PayPal should make this payment to Mr E to adequately resolve the complaint in its entirety.

My final decision

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

- Pay Mr E £150 to recognise the upset and inconvenience he's been caused when seeking a refund of the payment that was debited from his account unfairly.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr E to accept or reject my decision before 31 August 2022.

Josh Haskey
Ombudsman