

The complaint

Miss E complains PayPal (Europe) Sarl et Cie SCA have acted unfairly. She says they've reversed a transaction following a chargeback request which has caused her financial difficulties.

What happened

In early April 2022, Miss E said she'd received a £1,000 into her PayPal account from a friend. But later the same month he made a chargeback request saying he hadn't authorised the transaction. She said PayPal reversed the transaction which has left her short of money. Miss E complained to PayPal as she'd evidence that the transaction had been authorised.

PayPal said Miss E wasn't covered by their Seller Protection policy as personal payments using the friend and family functionality weren't protected.

Miss E wasn't happy with PayPal's response and referred her complaint to us.

Our investigator said she would have expected PayPal to defend the chargeback based on the evidence Miss E had provided. As they hadn't defended the chargeback, she said PayPal should refund Miss E £1,000 plus 8% simple interest from when she was deprived of the funds.

PayPal didn't agree. Miss E's complaint has been referred to an ombudsman 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'm upholding this complaint. I'll explain why.

In April 2022, PayPal received a chargeback request from the sender's card issuer, saying £1,000 paid into Miss E's PayPal account hadn't been authorised by the sender. PayPal reversed the transaction. I can see that PayPal didn't agree to refund Miss E as they said the transaction fell outside of its Seller Protection policy.

But I think the crux of this complaint is not whether PayPal has exercised its Seller Protection policy correctly. But whether PayPal could have done more for Miss E and provided information to dispute the chargeback that the transaction hadn't been authorised by the sender.

I don't think that PayPal has acted fairly. Miss E has sent evidence to PayPal that looks to show the sender had authorised the transaction. And informs her that he is being pressured to dispute the transaction after intervention by his girlfriend and family members.

I accept PayPal's argument that the decision to decide upon the chargeback is ultimately made by the card issuer and not by them. But I can't see anything which suggests that the information provided by Miss E in support of the transaction having been authorised by the sender shouldn't have or couldn't have been disclosed to the card issuer. And I think that had it been disclosed, it might have changed the outcome for Miss E, as the evidence appears to dispute the transaction hadn't been authorised by the sender.

But I can't see that PayPal disclosed this evidence to the card issuer, from what I can see they only considered whether they could refund Miss E under their Seller Protection policy, which they couldn't. And this meant Miss E had a £1,000 removed from her PayPal account which she said caused her financial difficulty as she had already used the £1,000.

I can't know whether the evidence Miss E had if seen would have changed the card issuer's chargeback outcome decision. But by PayPal failing to defend the chargeback Miss E's evidence that it had been authorised by the sender wasn't considered, and this has had a financial impact on her.

In the circumstances, I don't think PayPal acted fairly and reasonably as they didn't assist Miss E in defending the chargeback request. To put things right PayPal should reimburse Miss E the £1,000 which she has lost. And to compensate her for the deprivation of these funds add 8% simple interest from the date the monies were reversed to the date PayPal refund Miss E.

I understand Miss E has asked for her PayPal account to be closed, this is a matter for her and PayPal if she wishes to reactivate her account. I'll make no comments about this.

My final decision

I uphold this complaint. And ask PayPal (Europe) Sarl et Cie SCA to:

- refund the reversed transaction of £1,000 to Miss E, plus 8% simple interest from date of reversal to settlement.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss E to accept or reject my decision before 9 November 2022.

Anne Scarr
Ombudsman