

The complaint

Mr M is unhappy that PayPal (Europe) Sarl et Cie, SCA, reimbursed money to a buyer who had received the goods he'd sold to them.

What happened

Mr M sold some goods to a buyer and received payment. Mr M posted the sold goods to the buyer, who received the sent goods. But PayPal then advised Mr M that the buyer had raised a successful chargeback claim against him, which meant that PayPal had to reimburse the money the buyer had paid for the goods back to the buyer. Mr M wasn't happy about this, so he raised a complaint.

PayPal responded to Mr M and explained that they have no control over the outcome of a chargeback claim, which was raised by the buyer with the buyer's card provider directly. And because the chargeback claim that the buyer had raised was successful, PayPal didn't feel they'd done anything wrong by reimbursing the money to the buyer in line with the result of that claim. Mr M remained dissatisfied, so he referred his complaint to this service.

One of our investigators looked at this complaint. But they didn't feel PayPal had acted unfairly in how they'd managed the situation and so didn't uphold the complaint. Mr M remained dissatisfied, so the matter was escalated to an ombudsman for a final 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, it seems clear to me that, if the buyer still has the goods that Mr M sold to them, that Mr M has a valid dispute with the buyer. But I don't feel that PayPal have done anything unfair or unreasonable in how they've acted here.

The reason I take this position is because the buyer obtained the reimbursement of the money paid to Mr M via a chargeback claim raised by the buyer with their card provider – the company whose logo is on the card that the buyer used to make the payment – directly.

PayPal have no say in the outcome of such a chargeback claim and are bound by the terms of their relationship with the card provider to honour the outcome of such a claim. And this means that if Mr M would like to challenge the outcome of that chargeback claim, he would likely need to do so with the buyer directly, potentially through a Court of Law.

Mr M has asked whether he has any rights under PayPal's seller protection scheme. But because PayPal are obliged to honour the results of chargeback claims, reimbursements that are made because of chargeback claims aren't covered under PayPal's seller protection scheme.

Mr M is unhappy that PayPal indicated they might be able to challenge what had happened if he could provide proof that the buyer had signed for and received the items, but that when

he provided proof of signature and receipt by the buyer that PayPal still wouldn't act for him.

PayPal have provided a copy of a lengthy message chain in which I can see that the issue of the buyer signing for the items was discussed. But this discussion took place on 8 January 2024, and PayPal had already explained to Mr M on several occasions before that time that his claim wasn't covered under their seller protection scheme. The first instance of Mr M being told as such took place on 1 November 2023, when PayPal explained as follows:

"I see that the buyer has filed a chargeback case with their financial institution. A chargeback isn't the same as a PayPal claim. The chargeback process is initiated outside of PayPal, between the card issuer and their cardholder. The decision is ultimately made by the card issuer, and we don't decide the outcome.

I see the chargeback was decided in the buyer's favour as they met the card issuer's requirements. Whilst we cannot dispute this transaction any further, we encourage you to contact the buyer directly to reach a resolution."

In telling Mr M the above on 1 November 2023, PayPal were correctly informing Mr M that they wouldn't be able to help and also explained the reason why. But Mr M continued to challenge PayPal, despite being given the above information. And this led to the above information being reiterated to Mr M by PayPal on 24 November 2023.

But Mr continued to seek a resolution from PayPal, despite now being told twice why such a resolution wouldn't be possible. And while PayPal agents that Mr M engaged with later did incorrectly suggest that they might be able to help if he could provide proof of signature and receipt by the buyer, I feel that it should have been apparent to Mr M prior to that time that PayPal wouldn't be able to help, given the clarity of the information that he'd been previously provided with, as quoted above.

Ultimately, as explained, Mr M's dispute here isn't with PayPal. And this is because PayPal were obliged to honour the result of the chargeback claim that the buyer raised with their card provider directly. And because of this, while I hope that Mr M can recover his money with the buyer directly, or by other channels, I don't feel that PayPal have acted unfairly by reimbursing the money back to the buyer in line with the outcome of the chargeback claim that they were informed about by the buyer's card provider.

I realise this won't be the outcome Mr M was wanting, but it follows from all the above that I won't be upholding this complaint or instructing PayPal to take any further or alternative action here. I hope that Mr M will understand, given what I've explained, why I've made the final decision that I have.

My final decision

My final decision is that I do not uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 11 June 2024.

Paul Cooper
Ombudsman