

The complaint

Ms M complains that PayPal UK Ltd ("PayPal") failed to obtain a refund for a purchase which she had returned.

What happened

In October 2023 Ms M purchased goods from the online arm of a large UK retailer ("the Merchant"). She decided one item was not suitable and she notified the Merchant that she wished to return it. This was in accordance with the Merchant's returns policy.

It sent Ms M a QR code to use with the courier, but this didn't work and it then sent a returns label. Ms M took the parcel back to the drop off point and this time the QR code worked. The parcel was received by the Merchant but it weighed less than it should and contained a different item to the one Ms M had returned. This was sent back to Ms M and no refund was given.

She contacted PayPal on 19 December 2023 to raise a dispute under its Buyer Protection Program, but it declined her claim. Ms M brought a complaint to this service where it was considered by one of our investigators who didn't recommend it be upheld. She didn't think it unreasonable of PayPal to take the decision it had. She said PayPal should have considered if a claim under section 75 Consumer Credit Act 1974 ("s.75") had merit. However, she didn't consider that would have resulted in the refund Ms M was seeking.

Ms M didn't agree and asked for the matter to be referred to an ombudsman. She pointed out that there had been some confusion over the QR code and label which indicated the merchant had a problem at its end.

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.

I have every sympathy with Ms M, but I do not consider I can uphold her complaint. I will explain why.

Firstly, I should make it clear that the role of the Financial Ombudsman Service is to resolve individual complaints and to award redress where appropriate. I do not perform the role of the industry regulator and I do not have the power to make rules for financial businesses or to punish them. We are an informal dispute resolution service and Ms M's complaint with the Merchant may be better addressed by another route.

In addition to its Buyers Protection Program s.75 is a mechanism by which Ms M can seek redress. When someone makes a payment on their credit card, in order to make a valid s. 75 claim against their credit card issuer they need to have used the credit card to pay a company they have a claim against for breach of contract or misrepresentation. S. 75 gives the debtor (the credit card account holder) the same claim against their credit card issuer as they would have against the supplier of goods or services, so long as that claim is for breach

of contract or misrepresentation.

My role is to consider if PayPal acted reasonably in its handling of Ms M's claim. The reality is that one cannot say what actually happened to the item. Ms M has explained that she returned it to the courier pick up point after there having been an issue with the QR code which subsequently worked. The Merchant says it didn't receive the item and has evidence of the weight of the returned parcel being much lighter than it should have been and containing a totally different item.

Both parties offered plausible explanations and PayPal was left in a difficult position. It could not determine where the item had gone, but PayPal took the view that whatever the cause the merchant did not receive the item back. This meant that it was not obliged to give Ms M a refund.

PayPal considered its Buyer Protection Program and didn't think the claim fell within its terms, but also explained that it felt the merchant's position was sufficiently strong so as to refuse the claim. It is clear that the Merchant was not willing to accept the claim for refund and it was not unreasonable for PayPal to conclude that the claim would not succeed.

PayPal didn't consider s.75, but as our investigator has pointed out the contract with the Merchant entitled Ms M to return the item and a failure to pay her the refund could be regarded as a breach of contract. As I have explained the merchant did not receive the item and so it was not obliged to make the refund.

I have considered the issue Ms M had with the QR code not working the first time and the replacement label not being used. I have also looked at the evidence from the Merchant which shows among other things that the actual item returned was not a product it sold. I do not dispute that Ms M returned the item, but it was not received by the merchant and so it was not obliged to make the refund. I recognise this puts Ms M in a difficult position, but I do not consider PayPal was wrong to act as it did.

While I recognise Ms M's frustration I cannot say that the evidence she has provided is sufficient to allow PayPal to uphold a claim under s.75.

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 Ms M to accept or reject my decision before 10 April 2025.

Ivor Graham
Ombudsman