

The complaint

Mr P complains PayPal UK Ltd won't refund him for purchases he didn't receive.

What happened

Mr P says he bought two phones, from the same retailer, in two different transactions. Mr P says the retailer told him the orders were cancelled, and he never received the phones.

Mr P raised buyer protection claims with PayPal and it declined to refund Mr P. PayPal also limited Mr P's account, stopping him from using it.

Unhappy with the lack of refund, Mr P brought his complaint to this service. An investigator looked into things but didn't think Mr P's complaint should be upheld.

The investigator said PayPal could decide whether or not to accept a buyer protection claim, in line with its user agreement. The investigator thought PayPal had fairly declined Mr P's claims.

And the investigator said PayPal could decide which accounts to limit, and, in the circumstances, they thought PayPal had made a fair decision to limit Mr P's account.

Mr P disagreed and said he didn't receive the items he ordered so his buyer protection claim should be successful. Mr P felt the limitation was unjust, punitive and lacked transparency.

Mr P also said he'd like confirmation PayPal followed a fair review process. And Mr P said the Consumer Rights Act means he's entitled to a refund of the goods and PayPal's decline of his buyer protection claims run contrary to his statutory rights.

Mr P asked for an ombudsman to decide things.

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.

Mr P raised three buyer protection claims for the same retailer. Mr P's only sent in information for two of the claims, but I'm satisfied he raised three. All three claims are for items just under £1,000, one purchased in February 2024, two in March 2024.

All three claims were raised on the same day, 24 April 2024. PayPal declined the claims the next day and immediately limited Mr P's account.

Mr P says he purchased a phone on 4 March 2024, but the order was cancelled. The information Mr P sent in shows the item was sent out on 12 March 2024.

It seems Mr P didn't receive this phone, but purchased a different phone, from the same retailer, on 15 March 2024. Mr P says he didn't receive this phone either.

It seems very odd Mr P purchased a second phone when the first one hadn't arrived. And even more odd these purchases in March followed an order in February which Mr P apparently also didn't receive.

It seems the retailer didn't complete any orders, but Mr P continued to spend significant amounts of money with it, ordering further items.

PayPal considered Mr P's behaviour a risk and limited his account. In the circumstances, I think this is a fair decision to reach. I think PayPal acted fairly in limiting Mr P's account.

Mr P would like confirmation PayPal carried out a fair review. I can confirm I think PayPal carried out a fair review and reached a fair decision when it limited Mr P's account. And I don't think this action was punitive, I think Mr P posed a risk to PayPal.

PayPal says it suspended Mr P's use of its buyer protection scheme, and its user agreement says it can do this. In PayPal's user agreement, it says it can:

Suspend your eligibility for PayPal's Buyer Protection program and/or PayPal's Seller Protection program (including in retrospect).

And this is what PayPal did. Mr P wants to know why his purchases didn't qualify for buyer protection, but this isn't the issue. Since PayPal removed Mr P's eligibility for buyer protection it doesn't matter if the claim might have succeeded, Mr P can't use the protection.

PayPal's buyer protection isn't a consumer right, but it is in PayPal's user agreement. So, although Mr P doesn't have a right to the protection, PayPal should be offering it and removal of the protection should only happen in a few, specific cases.

As I said above, I think Mr P was posing a risk to PayPal, so I think it acted fairly in removing Mr P's eligibility for buyer protection.

Mr P's said the Consumer Rights Act (2015) means he's entitled to a full refund because he didn't receive the goods. This may be correct, but from what I understand this refund is from the trader, or retailer.

PayPal facilitated the payment, it didn't sell the phones to Mr P. If Mr P believes he's entitled by law to a refund, I'd recommend he take some legal advice about how he can pursue this refund from the retailer.

Overall, I'm satisfied PayPal's acted fairly here. PayPal thought Mr P was a risk and I think this was a fair conclusion for PayPal to reach. Because of this risk, PayPal limited Mr P's account and took away his eligibility to buyer protection.

In the specific circumstances of Mr P's complaint, I think these were fair things to do. And because of this I don't feel PayPal needs to give Mr P access to his account again or give Mr P a refund for any of the buyer claims he made.

My final decision

My final decision is I don't uphold this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr P to accept or reject my decision before 23 December 2024.

Chris Russ
Ombudsman