

The complaint

Mr A is unhappy with the service he's received from PayPal UK Ltd surrounding a purchase cost reimburse request he made via their Buyer Protection scheme.

What happened

Mr A purchased an item for £710.10 from a merchant, paying £200 using a gift card and paying the remaining £510.10 via his PayPal account. When Mr A received the item, he realised that it was damaged and so filed a claim with PayPal under the Buyer Protection scheme for a refund of the PayPal transaction amount - £510.10.

PayPal assessed Mr A's claim and offered a full reimbursement of the PayPal transaction amount so long as Mr A returned the damaged item to the seller and provide evidence to them to confirm this. PayPal provided Mr A with an address to return the damaged item to, and Mr A returned the item to that address via recorded delivery and provided evidence of the return to PayPal.

PayPal then contacted the merchant to confirm that they had received the returned item. But the merchant had no record of receiving it, and because of this, PayPal declined Mr A's reimbursement claim. Mr A wasn't happy about this, so he raised a complaint.

PayPal responded to Mr A but reiterated that they wouldn't be upholding his claim. Mr A wasn't satisfied with PayPal's response, so he referred his complaint to this service.

One of our investigators looked at this complaint. They noted that the address that PayPal had given Mr A to return the item appeared to be the merchant's head office address rather than a return depot address. Because of this, they felt that PayPal should honour the Buyer Protection claim of £510.10 and pay a further £450 to Mr A as compensation for the trouble and upset that he'd incurred.

PayPal agreed with the recommendations put forward by our investigator. But Mr A felt that PayPal should also reimburse the full cost of the item, including the £200 he'd paid via gift card, and that a much larger compensation payment should be merited here. 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 I note that PayPal's Buyer Protection scheme, under which Mr A made the reimbursement claim, isn't a legal right that Mr A has. Rather, it's a voluntary scheme offered by PayPal under their own discretion. However, PayPal has published the terms of the scheme, including the criteria needed for a claim to be successful, and this service would generally consider PayPal to be acting unfairly if they failed to act in accordance with those published terms.

In this instance, PayPal confirmed to Mr A that his reimbursement request had been accepted on the condition that he returned the item to the merchant, at the address given to him by PayPal, and provide evidence of this return.

Mr A did this. He arranged for the item to be returned by recorded delivery to the address provided to him by PayPal, and he forwarded the confirmation that the item had been returned to that address (which included photographic evidence of the delivery) provided to him by the courier to PayPal.

PayPal then contacted the merchant to confirm that they had received the returned item, to which the merchant responded that they had not. But the address that PayPal gave to Mr A as a return address for the merchant appears to have been the merchant's head office, and not a return depot for that merchant. As such, I feel it's likely that the merchant wasn't aware of the return received to its head office when PayPal asked them to confirm it.

Ultimately, Mr A did what PayPal asked him to do here. He returned the item to the address given to him by PayPal. And because of this, I'll be upholding this complaint in Mr A's favour and instructing PayPal to reimburse the £510.10 claim amount to him.

Mr A has said that he wants PayPal to reimburse the full item cost of £710.10 to him, including the £200 that he paid using a gift card. But I can't reasonably instruct PayPal to reimburse an amount to Mr A that he didn't pay to the merchant via his PayPal account. And I note from the claim documents that Mr A has provided to this service that the claim amount is £510.10. As such, I can only refer Mr A to the merchant directly to try to recover the additional £200 from them. And I note that Mr A will be able to provide the merchant with proof that the item has been returned and received by them.

Finally, it seems clear that Mr A has incurred both frustration and inconvenience that he reasonably shouldn't have here because of PayPal's failure to honour his reimbursement claim. And I feel that Mr A should be fairly compensated for the trouble and upset that this matter has caused him.

Accordingly, I've considered the impact of what's happened here on Mr A, including both the time and effort that he's had to expend, as well as the concern and anxiety that this matter may have caused – as Mr A has described in his submissions to this service. And I've also considered the general framework this service uses when assessing compensation amounts, details of which are available on this service's website.

Having taken these factors into account, I'll be instructing PayPal to pay £450 to Mr A as compensation for the distress and inconvenience he's incurred. I realise that Mr A feels that a much higher award of compensation should be merited here, but I don't agree. And I can confirm that the £450 as recommended by our investigator is at the higher end of what I might have instructed PayPal to pay as compensation here, had they not already accepted the £450 amount.

All of which means that my final decision here is that I uphold this complaint in Mr A's favour and that PayPal must pay £510.10 to Mr A as a reimbursement of the amount he paid to the merchant using his PayPal account, as well as a further £450 as compensation for the trouble and upset that he's incurred.

Putting things right

PayPal must make payments of £510.10 and £450.00 to Mr A – a total of £960.10.

My final decision

My final decision is that I uphold this complaint against PayPal UK Ltd on the basis explained above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr A to accept or reject my decision before 10 February 2025.

Paul Cooper
Ombudsman