

The complaint

Mr Y complains PayPal UK Ltd didn't refund him for items he didn't receive then permanently limited his account.

What happened

Mr Y ordered some items from a retailer and received an empty box. Mr Y raised a buyer protection claim with PayPal, but it refused to refund Mr Y.

Mr Y complained to PayPal, and it said it hoped its actions had addressed Mr Y's complaint to his satisfaction. Mr Y didn't think things had been properly addressed, so he referred his complaint to this service.

Whilst Mr Y's complaint was at this service, he made a further claim with PayPal for an item not received and it refused to refund him and permanently limited, or blocked, his account.

An investigator looked into Mr Y's complaint, covering all these points, and didn't think Mr Y's complaint should be upheld.

The investigator said Mr Y's initial claim related to nine mobile phones he'd purchased, and PayPal had decided it was more likely these phones were for resale. PayPal's buyer protection doesn't allow for claims on items bought for resale.

The investigator also said, after this first claim was declined, PayPal sent an email to advise Mr Y further claims might result in PayPal reconsidering Mr Y's access to buyer protection.

The investigator didn't think PayPal had acted unfairly by taking away Mr Y's access to buyer protection for the second claim. Mr Y logged this soon after his initial claim, despite the warning from PayPal.

The investigator also thought PayPal was fair in limiting Mr Y's account. Mr Y had made a lot of buyer claims, and the investigator thought this behaviour was a risk to PayPal, so it was fair in limiting this risk by stopping Mr Y using his account.

Mr Y disagreed, and said he was out of pocket by £600 and the investigator should stop siding with a corrupt financial institutions. Mr Y felt PayPal needed to refund his claim, he received an empty box.

Mr Y also said he didn't receive the email about removing the buyer protection, and the limitation was unjustified. The complaint was passed me 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 Y raised a buyer protection claim in September 2024, saying over £7,000 worth of items

had been ordered but he received an empty box.

PayPal says it didn't consider this buyer protection claim because it thinks Mr Y bought the items for resale, and the protection policy doesn't apply.

I've looked at PayPal's buyer protection policy, and in the 'ineligible items and transactions' section it says:

items intended for resale, including single item transactions or transaction that include multiple items

don't qualify for buyer protection, so they aren't covered.

This seems a reasonable clause, PayPal's buyer protection exists to help consumers potentially get a refund for a retail purchase they didn't receive. I think it's reasonable PayPal doesn't extend this protection to wholesalers or retailers themselves.

There seems little dispute Mr Y purchased several mobile phones as part of his over £7,000 purchase. I think it's more likely than not these phones were for resale.

I think PayPal acted fairly in declining Mr Y's initial buyer protection claim.

After this decline, PayPal sent Mr Y an email about the number of claims Mr Y had made, and at the end it said:

However, when customers continue to encounter a higher-than-average rate of issues, we may find it necessary to further evaluate account activity, and in rare cases, reconsider access to Buyer Protection programmes.

I've looked at this email, and I'm satisfied it was sent to the email address PayPal had on file for Mr Y. PayPal's records show the email was received and opened, so I'm satisfied Mr Y received and opened this email.

PayPal sets the rules for its buyer protection, and its terms allow it to remove this cover when it sees fit. But, I think buyer protection is an important feature of a PayPal account, so removing this protection should only be done in rare cases.

Here, I agree with PayPal's decision to remove buyer protection from Mr Y's account. PayPal warned Mr Y this might happen, and Mr Y continued to raise claims of receiving empty boxes or missing items.

The second claim Mr Y made was for a single item (around £600) missing from another £7,000 plus purchase. I think it's likely this purchase was again for resale, and unlikely to be covered, so even had PayPal assessed the claim it would likely have fairly rejected it.

Because Mr Y had raised so many item not received claims, PayPal permanently limited his account. I think this is a reasonable thing for PayPal to do. PayPal decided Mr Y was a risk, because of the number of claims he'd made, and I agree.

PayPal's user agreement, or terms, say it can limit Mr Y's account if:

.....conduct your business or use the PayPal services in a manner that results in or may result in fees, fines, penalties or other liability or losses to PayPal, other PayPal customers, third parties or you.

By raising so many unsuccessful buyer protection claims, for large amounts of money, I think Mr Y was running his PayPal account in a way that might result in losses to PayPal. Ultimately, PayPal pays back successful buyer protection claims.

I think PayPal made a reasonable decision to permanently limit Mr Y's account.

Mr Y's said, as a service, we shouldn't protect corrupt financial institutions. But my role is to impartially decide Mr Y's complaint, I'm not here to protect either Mr Y or PayPal.

Mr Y's also explained he's out of pocket because of what happened, but I don't think he qualified for buyer protection on either purchase. And buyer protection doesn't invalidate Mr Y's other, statutory rights.

Mr Y ordered items from a retailer and says he didn't receive them. I think Mr Y should still be able to raise this claim with the individual retailers, including court action. It was the retailers who didn't send Mr Y the items, not PayPal.

And Mr Y feels the closure, or limitation, is unjustified. As I explained above, I think PayPal made a reasonable decision to limit Mr Y's account.

Because of this, I don't think PayPal's done anything wrong here, so I won't be asking it to do anything more to resolve Mr Y's complaint.

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 Y to accept or reject my decision before 25 March 2025.

Chris Russ
Ombudsman