

The complaint

Mr W complains PayPal UK Ltd (“PayPal”) hasn’t offered him a refund after he complained about being the victim of an investment scam.

What happened

The circumstances surrounding this complaint are well-known to both parties, so I won’t repeat them in detail again here. However, in summary, Mr W believes he has been the victim of a scam. He sent multiple payments totalling \$4,436.65 to a company I will refer to as “A”. Mr W says he believed he was purchasing digital services from A but he later found out A was operating a Ponzi-type scheme / scam.

Mr W says he contacted The Financial Conduct Authority (“FCA”) and it confirmed A was operating a scam. Mr W says PayPal also acknowledged that A was operating a Ponzi scheme but has since refused to offer him a refund of the amount he lost.

Mr W raised multiple “Significantly not as Described” claims under PayPal’s Buyer Protection Policy stating A was operating as a Ponzo scheme and was not regulated by the FCA.

PayPal reviewed Mr W’s claims but ultimately determined that he wasn’t eligible for reimbursement. It said it had contacted A and it had confirmed that it provided a service whereby its clients pay for the assessment of their trading strategy in a simulated environment. A told PayPal this service didn’t need to be regulated by the FCA and that Mr W had accessed and been provided with its services, but his account had later been closed as per its terms and conditions. PayPal therefore declined to offer Mr W a refund of the amount he said he’d lost as it believed A had provided Mr W with the service he had paid for.

Unhappy with PayPal’s response, Mr W bought his complaint to this service and one of our investigators looked into things.

Our Investigator didn’t uphold the complaint. They said there wasn’t any evidence that A was operating as a scam and Mr W’s circumstances more likely amounted to a civil dispute between him and A – rather than a scam that PayPal should become involved in now. Overall, the investigator thought PayPal had dealt with Mr W’s complaint fairly and didn’t recommend PayPal do anything more.

Mr W didn’t agree with the investigator’s opinion. He said he was certain A was operating a Ponzi scheme, and he provided a number of links to information shared on social media about the business model used by A and other firms. Mr W went on to ask the Financial Ombudsman service to investigate the activities of A and stressed that PayPal should not be working with such a company.

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 agree with the outcome reached by the investigator for the same reasons, and I have little further to add to what they have already said. I will explain my reasoning in more detail below.

Firstly, it's important that I stress my role in this case is to decide whether PayPal has treated Mr W fairly when reviewing his complaint. It is not to look into the activities of A or any other business Mr W believes is operating as a scam. The Financial Ombudsman Service is not the financial services' industry regulator – that is the role of The Financial Conduct Authority. The scope of my investigation relates solely to whether PayPal could've prevented Mr W from financial harm from fraud. So, the first thing I need to be satisfied of is that Mr W has been the victim of a scam and I haven't seen any evidence that this is the case here.

Mr W has provided this service with links to various social media websites where the business model employed by firms similar A is called into question. However, none of these relate specifically to A. And Mr W hasn't provided any evidence to support his testimony that A is operating as a Ponzi scheme. A however did provide information to PayPal that shows Mr W accessed and was provided with the services it provides. As no evidence has been presented to me to persuade me that A is acting fraudulently, or that Mr W didn't receive the services he paid for, I am not able to recommend PayPal refund the amount Mr W says he lost now. And as I said above, it is not for this service to conduct an investigation into the activities of A.

I am also not persuaded that PayPal ought to have prevented the payments leaving Mr W's account. Mr W has not disputed authorising the payments himself and PayPal has an obligation to process payments that its customer has authorised. The payments were not particularly unusual or out of character and so PayPal wouldn't have had reasonable grounds for questioning Mr W before proceeding with his payment requests or for not allowing the payments to be made. It appears Mr W authorised PayPal to send funds to a legitimate propriety trading firm – and so I can't see a compelling reason why PayPal ought to have prevented the payments from leaving Mr W's account. Overall, I am not satisfied that PayPal should be expected to have taken further steps before these payments were let go. PayPal is not partnered with A as Mr W has suggested, it is the payment processor Mr W used to facilitate the payments he authorised using his card details.

I acknowledge that Mr W feels that both PayPal and the FCA confirmed A was operating a Ponzi scheme. However, I'm not persuaded they did. I've read the messages shared between PayPal and Mr W and whilst I do think the message was poorly phrased I think it's clear PayPal simply meant to acknowledge that Mr W *felt* he'd been the victim of a Ponzi scheme, not that it had conducted an investigation into the activities of A and it was confirming he had been. I'm satisfied this was PayPal attempting to acknowledge Mr W's concerns, which has ultimately been misinterpreted.

Similarly, I've also read the email sent to Mr W from the FCA and I don't think this email can be taken as confirmation that Mr W has been the victim of a scam either. The email simply sets out that A is not registered with the FCA and therefore could be a scam. I don't think there's any suggestion in the email that an investigation has been carried out and this is factually the case.

Finally, and for completeness, I turn to PayPal's attempts to recover Mr W's loss. According to PayPal's Buyer Protection Policy, these payments were ineligible for recovery. The terms

make it clear that payments in respect of financial investments of any kind are not covered by this scheme. I also haven't seen anything that suggests PayPal would've been able to get Mr W's money back via any other channel either. As I've said above, A was able to provide evidence that it provided Mr W with the services he paid for and so based on the limited evidence available to me, it appears that any other claims would've had no reasonable prospect of success either.

Overall, given the limited evidence provided to me as part of this complaint, I cannot fairly and reasonably reach the conclusion that PayPal be held liable to refund Mr W.

My final decision

For the reasons given above, 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 W to accept or reject my decision before 12 September 2025.

Emly Hanley Hayes
Ombudsman