

## The complaint

Mr T is unhappy that PayPal UK Ltd ("PayPal") continue to hold him responsible for the money he received into his account which was returned to the sender.

## What happened

In January 2024, Mr T received funds into his PayPal account on behalf of a friend (I will refer to as M in this decision). The sender of the funds (I will refer to as R) was M's girlfriend at the time. Mr T moved the money to his own account with another bank and then from there passed the funds on to M. In February 2024, R filed an 'item not received claim' (as the payment had been made using PayPal's Goods option) and requested the funds to be returned to her.

PayPal asked Mr T for proof he'd sent the item on to the sender of the funds. Mr T did not respond to PayPal at the time. So ultimately PayPal returned the money to R, leaving Mr T with a negative balance. Mr T then complained. On 19 April 2024 Mr T contacted PayPal wanting to upload police documents. He said the money was owed to him by the sender and he was confused as R had filed a dispute case for the transaction, and it was supposed to be a personal payment.

PayPal did not agree to clear the balance of his account and said it was acting within the terms and conditions of the account.

Mr T brought his complaint to this service. He said that R had scammed the system by putting down the incorrect payment purpose as this should have been a friends and family payment. Mr T considered PayPal should investigate R. Later Mr T told us the payment was a 'gift' for M and, as he didn't have a PayPal account, R sent M the money via Mr T.

Initially our investigator did not uphold the complaint. But subsequently, she felt Mr T had not benefitted from the funds, as he'd shown the money was passed to his friend - M. She felt he was entitled to the funds.

I wrote to Mr T explaining I had decided not to uphold the complaint. I didn't find PayPal had acted unfairly and explained that I considered this to be a civil dispute between the parties.

Mr T didn't agree. He said:

- The sender (R) confirmed in messages to Mr T's friend that the only way she could send a high amount was to answer the questions incorrectly regarding the reason of the payment.
- R has been dishonest and not followed the regulations set out by PayPal so PayPal should not disregard this and reconsider this information before putting Mr T's account into negative.
- PayPal says it wants proof of postage, or an advert of what R is saying she was sold by Mr T - however nothing was sold so this cannot be provided.

- Had R chosen the correct reason for making the payment to Mr T, PayPal would have never put his account into minus and ask him to make the payment for this, as R would have been sending to 'friends and family'.

As the case couldn't be resolved informally, I am now issuing my 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.

It's very clear from the information Mr T has given us that he feels very strongly about his complaint. I've read through the information in its entirety along with the response to my email of 1 September 2025, and having done so, I've decided not to uphold it.

Whilst Mr T says he received funds on behalf of a friend, PayPal says it does not support third party money transfers under Goods & Services, and it would treat the transaction as a commercial sale.

The User Agreement is clear that any goods need to be delivered for a disputed claim to be considered and successful in favour of the seller.

So, I've gone on to consider the basis on which PayPal reversed the funds under the User Agreement, whether such terms have been correctly applied and whether the terms PayPal have relied on are unfair.

PayPal's User Agreement sets out that, as a starting point, it will be the customer, rather than PayPal, that is responsible for such claims. The relevant terms are below:

#### ***Reversals***

*If you receive a payment in your account, you owe us the full amount of the payment and our losses arising from processing the payment (including any Chargeback fee or Dispute fee). This can include our liability (including any fees, charges and penalties) towards any third party (including the payer and the payer's funding source provider).*

*A reversal can happen when:*

*We compensate the payer or the payer's funding source provider (or both) because we receive a claim from the payer or their funding source provider for the payment amount under the reversal process used by that funding source provider.*

Although PayPal's User Agreement is the starting point here, even when it's followed the User Agreement I still need to think if it arrived at an unfair outcome in doing so. Having considered the information from both parties, I haven't found this dispute was settled unfairly.

According to Mr T's testimony, the sender was a long-term girlfriend of Mr T's friend - M. Mr T confirmed he has also known M for three years. So, the parties are all known to each other. And ultimately, Mr T's friend has the benefit of the money, that his ex-girlfriend 'gifted' to him but then changed her mind a month later. M won't now return the money to Mr T.

I consider this is a civil dispute between the parties and this isn't something PayPal would be responsible for putting right.

I am also concerned about some of the inconsistencies in testimony. In particular I note that initially Mr T did not respond to PayPal's requests for evidence and eventually he told PayPal the money was supposed to be *owed to him* by the sender. But then later he told this service it was a 'gift' he was receiving on behalf of his friend. He also explained the reasons he was passing the money on to his friend in this way was because his friend did not have a PayPal account. And it couldn't be paid by any other method because the money was being gifted via a credit card.

Overall, I can see no fair or reasonable basis on which to tell PayPal to clear the disputed balance on Mr T's account.

### **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 Mr T to accept or reject my decision before 20 October 2025.

Kathryn Milne  
**Ombudsman**