

The complaint

Miss K complains that PayPal UK Ltd (PayPal) won't refund the money she lost when she fell victim to an investment scam.

What happened

The detailed background to this complaint is well known to both parties. So, I'll only provide a brief overview of some of the key events here.

Miss K became interested in an investment advert by a well-known internet personality on a popular video-sharing website.

When Miss K asked a question on one of his posts, she received a response from a scammer who made themselves out to be the internet personality and asked her to add them to her messaging platform.

Miss K received a message from the scammer saying he would help and advise her on how to invest. Miss K says she was informed that if she invested £1,000, for a 15% commission charge, she would receive a return of £12,000.00 in 14 days.

Miss K was interested, and she decided to go ahead and follow the scammer's payment instructions. She transferred £6,149.20 from her Bank H bank account to PayPal and Company M (a crypto payment exchange) and on to the scammers via payment to a crypto platform and individual accounts.

Miss K's PayPal transactions to individuals are shown in the following table:

Number	Date	Payment Type	Beneficiary	USD Amount
1	14/11/2023	Card	Person CS	500.51
2	16/11/2023	Card	Person K	323.63
3	05/12/2023	Card	Person CS	2730.00
4	11/12/2023	Transfer	Person CS	240.00
5	16/12/2023	Card	Person L	2067.13
6	17/12/2023	Card	Person L	262.65
7	26/12/2023	Card	Person CB	364.93
Total				USD 6,488.85

She made seven payments in US dollars over a six-week period, totalling USD 6,488.85, to the accounts of four named individuals.

Miss K realised it was a scam when she asked to make a withdrawal and was told she would need to send additional funds for tax purposes. She thought this was strange and then saw a post of someone describing being scammed by a scammer posing as an internet personality.

Miss K complained to Bank H and PayPal as she was dissatisfied that they hadn't done more to protect her and stop her loss.

Upon review, Bank H considered that they should've done more to protect Miss K, but they felt they could only provide her with a refund of £2,607.64. This is because the CRM Code didn't apply, and they considered that she had been negligent and hadn't been truthful when they did intervene.

Miss K is looking for PayPal to provide her with a refund for the remainder of her loss, but PayPal said their personal protection guarantee didn't apply as she used a service for paying friends and family.

Miss K brought her complaint to our service, but our investigator didn't think they were at fault.

As Miss K remains dissatisfied her complaint has been referred to me to look at.

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, my decision is to not uphold this complaint. And I'll explain why.

I should first say that:

- I'm very sorry to hear that Miss K has been the victim of this cruel investment scam resulting in her losing a large amount of money and, despite Bank H's part refund, is now in debt.
- Although I don't underestimate the severe impact this has had on Miss K, I must approach this matter objectively.
- I've carefully considered all the points Miss K and PayPal have made, and I've focused on what I think are the important points to reach a final decision.
- I'm satisfied that the seven payments aren't covered by PayPal's buyer protection scheme because Miss K chose the 'friends and family' payment option rather than 'Paying for an item or service'.

Payment Services Regulations 2017 (PSR)

Under the PSR and in accordance with general banking terms and conditions, an Electronic Money Institution (EMI) should execute an authorised payment instruction without undue delay. The starting position is that liability for an authorised payment rests with the payer, even where they are duped into making that payment. There's no dispute that Miss K made the payments here, so they are considered authorised.

However, in accordance with the law, regulations and good industry practice, an EMI should be on the look-out for and protect its customers against the risk of fraud and scams so far as is reasonably possible. If it fails to act on information which ought reasonably to alert a prudent banker to potential fraud or financial crime, it might be liable for losses incurred by its customer as a result.

EMI's do have to strike a balance between the extent to which they intervene in payments to try and prevent fraud and/or financial harm, against the risk of unnecessarily inconveniencing or delaying legitimate transactions.

So, I consider PayPal should fairly and reasonably:

- Have been monitoring accounts and any payments made or received to counter

various risks such as anti-money laundering and preventing fraud and scams.

- Have systems in place to look out for unusual transactions or other signs that might indicate that its customers were at risk of fraud (among other things). This is particularly so given the increase in sophisticated fraud and scams in recent years, which EMI's are generally more familiar with than the average customer.
- In some circumstances, irrespective of the payment channel used, have taken additional steps, or make additional checks, before processing a payment, or in some cases declined to make a payment altogether, to help protect customers from the possibility of financial harm from fraud.

Also, the FCA's Consumer Duty was in force at the time these payments were made. This requires firms to act to deliver good outcomes for consumers including acting to avoid foreseeable harm. In practice this includes maintaining adequate systems to detect and prevent scams.

With all the above in mind I considered whether PayPal should've recognised that Miss K was at risk of financial harm from fraud and intervened on any of the seven transactions.

For the following reasons, I don't think PayPal was reasonably on notice that Miss K could be falling victim to a fraud or scam, and I don't consider that an intervention was required:

- All of the payments were for relatively low amounts, with five (1. USD500.51, 2. USD323.63, 4. USD240.00, 6. USD262.65, 7. USD364.93) being very low. So, I don't think they would've stood out as unusual or suspicious.
- There was no suspicious pattern, such as a high volume of increasing same day payments to indicate Miss K was at risk of financial harm. Also, only two payments were on subsequent days, and most were spread over an approximate six-week period.
- Although Miss K was making payments, via individuals, into an investment scheme, PayPal weren't aware of this as when selecting the payment reason she chose 'personal payment option of friends and family ("Sending to a friend")' rather than 'purchase for goods and services ("Paying for an item or service")'. This meant PayPal weren't able to provide Miss K with the appropriate warnings.

I also considered whether PayPal should've done more to recover Miss K's funds when she contacted them to report a scam had taken place. PayPal have confirmed these payments were exited straight away from the recipient's account which unfortunately meant there weren't any funds to recover.

Finally, regarding Miss K's expectation that PayPal would refund her the balance of the funds lost if Bank H contacted them, I've not seen any evidence of this commitment.

I realise the outcome of this complaint will come as a disappointment to Miss K but, for the reasons I've explained, I won't be asking PayPal to provide her with a refund.

In conclusion, I recognise Miss K has been the victim of a cruel scam and I'm very sorry she's suffered a financial loss. I realise the outcome of this complaint will come as a great disappointment but, for the reasons I've explained, I think PayPal acted fairly and reasonably in its dealings with her, so I won't be upholding this complaint.

My final decision

For the reasons mentioned above my final decision is to not uphold this complaint against PayPal UK Ltd.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss K to accept

or reject my decision before 16 September 2025.

Paul Douglas
Ombudsman